

AN POST

ANNUAL REPORT 2014

Proud of Progress. Better Prepared for the Future.

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AN POST ANNUAL REPORT 2014

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**IN 2014
AN POST**

**INCREASED
TURNOVER
& REDUCED
OPERATING
COSTS.**





2013
€811.7m

2014
€820.6m

Turnover

2013
€823.2m

2014
€814.7m

Operating Costs

OUR MISSION

To provide world class postal, distribution and financial services with unrivalled local community access and global connections.

OUR VISION

Working together as a united team, our ambition is to outperform the competition, delivering a better quality service, more efficiently, to more customers by continuously adapting, innovating and implementing change.

OUR VALUES

Quality Customer Service

We deliver world class service quality by putting the customer first.

Commercial Success

We achieve commercial success to sustain and develop the business.

Cost Competitiveness & Efficiency

We run a cost competitive efficient Company.

Respect & Personal Responsibility

We respect each other and take personal responsibility.

Respected Corporate Citizen

We care for the environment and are engaged in the community.

Innovation & Change

We innovate, adapt and implement change successfully.

BOARD OF DIRECTORS AND CORPORATE INFORMATION



- | | | | |
|----------------------|--------------------|-----------------------|---------------------|
| 1. Christoph Mueller | 4. Jennifer Loftus | 8. William Mooney | 12. Peter Ormond |
| 2. Donal Connell | 5. Patrick Compton | 9. Ed Murray | 13. William Scally |
| 3. Noel Adamson | 6. Thomas Devlin | 10. Tom O'Brien | 14. Lorraine Tormey |
| | 7. Paul Henry | 11. Martina O'Connell | 15. James Wrynn |

1. Christoph Mueller

Chairman - 2, 3

Appointed 5 June 2013

Mr Mueller has recently been appointed as a non-executive Director of Malaysian Airline System Berhad (MAS) and CEO-designate of Malaysia Airlines NewCo, which will be operational by July this year. He is a shareholder representative of Khazanah Nasional Berhad, the national treasury agency and strategic investment fund of Malaysia. He was Chief Executive Officer of Aer Lingus from September 2009 until February 2015. He previously held senior executive positions in a number of companies including TUI Travel plc (a FTSE 100 company), Daimler Benz Aerospace and Lufthansa AG. He served as the Chief Financial Officer of DHL Worldwide from 2002 to 2004 and became a member of the Executive Committee of Deutsche Post AG in 2004 after the acquisition of DHL by Deutsche Post AG. He is a member of the Board of Tourism Ireland. He has an MBA from the University of Cologne and he also completed an Advanced Management Program at Harvard Business School.

2. Donal Connell, C.ENG. F.I.E.I., B.E.

Director - 2, 3

Appointed 14 August 2006

Mr Connell was appointed as Chief Executive on 14 August 2006. He began his career in the Department of Posts and Telegraphs and has held senior management positions in Unirode Corporation, 3Com Corporation and Maxtor Ireland where he was General Manager prior to joining An Post. He is a non-executive Director of Xilinx Corporation's European Board and is a Director of Premier Lotteries Ireland Limited.

3. Noel Adamson

Employee Director

Appointed 1 November 2012

Mr Adamson joined the Post Office in 1981 as a Postman in the Central Sorting Office in Dublin's Sheriff Street. He has been employed as a Postperson in Fairview Delivery Services Unit 3 for the last 20 years. Throughout his employment he has been an active member of the Communications Workers' Union. He is a former chairman of the Union's Standing Orders Committee and currently holds the positions of Assistant Secretary and Health & Safety Officer with the Dublin Postal Delivery Branch.

4. Jennifer Loftus

BAFS, FIA, FSAI, ACCA

Director - 1

Appointed 6 May 2014

Ms Loftus is currently employed as the Actuarial Function Holder with Acorn Life Ltd. Her role includes responsibility for statutory and regulatory financial reporting, financial modelling and solvency management. Ms Loftus is a member of the Association of Chartered Certified Accountants and is a Fellow of the Institute of Actuaries (UK) and the Society of Actuaries in Ireland. She has lectured in Actuarial Science on a voluntary basis overseas and has co-authored a research paper examining the relationship between socio-economic class and illness. Ms Loftus is a member of the Fundraising Committee for NBCRI (National Breast Cancer Research Institute).

5. Patrick Compton

Employee Director - 4

Appointed 1 November 2012; Sixth term.

Mr Compton has worked in the postal service for the past 42 years and his current position is that of Partnership Co-ordinator. He was a member of the National Executive of the Communications Workers' Union for 22 years and its President in 1985. He was also a Director of The Prize Bond Company Limited for many years. A former member of Roscommon Leader and County Development Boards, he is active in community development in his local area and he is the current County Roscommon GAA Coaching & Games Development Officer.

6. Thomas Devlin

Employee Director

Appointed 1 November 2012; Third term.

Mr Devlin began his career in the Post Office in 1976 when he joined the Department of Posts and Telegraphs as a Junior Postman working as a messenger in the Minister's Office. He is currently employed as a Delivery Service Manager in Swords/ Malahide Delivery Service Unit, Co. Dublin. An active member of the Communications Workers' Union, he served on the National Executive for two years and is currently Chairman of the Dublin Mail Managers Branch.

7. Paul Henry A.C.A., M.Accounting, B.A. (Bus & Econ)

Director - 1

Appointed 15 September 2011

Mr Henry, a Chartered Accountant, has worked with Dublin Airport Authority (DAA) since 2008. Currently he is Finance Manager (Ireland) with Aer Rianta International, DAA's international retail subsidiary, having previously held positions in Internal Audit and Finance. Prior to that he worked with Price Waterhouse Coopers, Dublin.

8. William Mooney

Employee Director

Appointed 1 November 2012

Mr Mooney has worked in the postal service since 1982 and is currently employed as a Post Office Clerk. He is a Director of The Prize Bond Company Limited. He is a member of the National Executive Council of the Communications Workers' Union and Secretary of the Dublin Postal Clerks Branch. He is a graduate of the National College of Ireland where he studied Human Resource Management and Employee Relations.

9. Ed Murray B.A., QFA

Director - 3

Appointed 7 May 2014

In his current role as a Senior Stockbroker and Institutional Equity Sales person with Cantor Fitzgerald, Mr Murray provides investment advice to private and corporate clients, and is developing the Cantor Fitzgerald institutional equity product offering. Mr Murray has over 18 years experience in investment markets, working in Ireland with local and international clients. Previous roles include Director of Institutional Equity Sales with NCB Stockbrokers, Senior Portfolio Manager with NCB Wealth Management and within the Treasury Division of Irish Life and Permanent.

10. Tom O'Brien

BBS, M.Sc, F.C.A.

Director - 1

Appointed 11 June 2013

Mr O'Brien is a Chartered Accountant with extensive business experience in senior financial, commercial and general managerial roles, having trained with KPMG. He specialises in company turnarounds and change management. In his most recent project, he was Managing Director of MXSweep Limited, a company providing cloud based IT security services. He oversaw its sale to a global provider of IT services. A graduate of Trinity College Dublin, he has just completed an MSc in Strategic Management and Innovation from the Dublin Institute of Technology.

11. Martina O'Connell

Employee Director - 4

Appointed 1 November 2012

Ms O'Connell joined An Post in 1993 as an Auxiliary Postperson and is now working as a Postal Operative in Cork's South City Delivery Office. Ms O'Connell has been elected Vice President of the Communications Workers' Union. An active member of the Union since she joined the Company, Ms O'Connell has been a member of the National Executive Council since 2002 and serves on a number of sub committees.

12. Peter Ormond B.A. (Bus. Mgt.)

Director

Appointed 8 March 2011

Mr Ormond is currently Manager of Mid Ireland Tourism prior to which he was its' Marketing Manager. He previously served as Community Services Programme Manager with Kilcormac Development Association. His other work experiences are in property sales, sales & marketing and logistics. He is currently a member of Offaly County Council and served as its Chairman in 2005/2006 and in 2012/2013. He is also a former Director of the Education Finance Board.

13. William Scally M.A. Barrister-at-Law

Director - 4

Appointed 11 December 2012

Mr Scally has had a lengthy career in Economics and Public Policy. Up until 2011 he worked on a cooperative basis as an independent public policy and public affairs consultant in the CIPA framework with a wide variety of Irish businesses and representative bodies. He was lead author of Fixing Finance, the 2010 Institute of International and European Affairs publication. Mr Scally has lectured widely on The Irish Government and political process. He worked in Irish Sugar for many years and as a public policy and economic advisor to several Irish Governments. He also served on the board of Forfás.

14. Lorraine Tormey

Postmaster Director

Appointed 1 January 2013

Ms Tormey has worked in the family Post Office business in Rathowen, Co Westmeath all her life and she was appointed Postmistress there in 2001. She is also Postmistress of Austin Friar Street Post Office in Mullingar. Ms Tormey is Secretary of the Westmeath Branch of the Irish Postmasters' Union (IPU) and she is involved in a broad variety of local business and community development initiatives.

15. James Wrynn B.Sc, B.Comm, M.B.A.

Director - 1

Appointed 15 September 2011

Mr Wrynn is a former Senior Lecturer in Strategic Management in DIT and Head of the Department of Administrative Studies in DIT's Faculty of Business. He served on the Board of ESB for more than ten years and during his term of office served as Deputy Chairperson from 1995–2000. He also chaired ESB Board Committees on International Investment and Strategic Response to Deregulation.

A portrait of Christoph Mueller, Chairman of An Post. He is a middle-aged man with short, graying hair, smiling slightly. He is wearing a dark blue suit jacket over a light blue striped shirt and a purple patterned tie. The background is a blurred office setting with a window showing a grid pattern.

An Post has once more delivered on its core obligations of providing reliable service and sound commercial performance – while investing in the development of the Irish postal infrastructure and the provision of new products and services that meet our customers changing needs.

Christoph Mueller Chairman

CHAIRMAN'S STATEMENT

AN POST ANNUAL REPORT 2014

I am pleased to report that in 2014 we earned a Group operating profit which is a significant achievement given the ongoing digital disruption to many of our core products and services.

We remain focused on running An Post efficiently and productively, while simultaneously working on a range of strategic initiatives that all relate to changing, growing and reforming our business – we are doing this in the long-term interest of the Irish economy, our customers and that of communities across the country.

We are also focused on growing new products and services that are aligned to both our customers' needs and our existing strengths across communications, financial services, e-commerce and trusted intermediary products/ services.

The shift in customer behaviour towards faster, cheaper and more convenient communication and transactions is driving the evolution of our postal and financial services.

With businesses and consumers relying less on physical letter options, it is vital that we transform our business to give customers greater access to valued and essential services, more choice in how they transact with us and added options to conveniently send and receive mail.

The Company is committed to providing modern postal services that meet the contemporary needs of our customers. Our Five Year plan is based on continuing to focus on innovation in the provision of new products and services, to optimise our Quality of Service, to improve cost competitiveness, as well as continued employee engagement.

An Post is a much respected and trusted brand with unrivalled community-based Post Office and delivery networks that underpin connection and commerce for all Irish people. By managing the structural decline of our letters business now, I am confident that we will be in a strong position to maintain these networks, and invest in new products and services which will serve our customers well into the future.

I want to thank my fellow Board members who have served this Company so well; their contributions are very much appreciated. I also want to thank the former Minister for Communications, Energy and Natural Resources, Pat Rabbitte T.D. and his successor Alex White T.D. and Department officials for their assistance and support during 2014.

I wish to thank Chief Executive, Donal Connell and his management team – as they continue to deal with difficult market challenges whilst exploiting new commercial opportunities for the core business and Group companies. I also wish to acknowledge the work of the thousands of employees and contractors who work so hard to deliver a fine service for the Company across Ireland.



Christoph Mueller
Chairman

MANAGEMENT



1. Donal Connell, C.ENG., F.I.E.I., B.E.
Chief Executive

Mr Connell was appointed as Chief Executive on 14 August 2006. He began his career in the Department of Posts and Telegraphs and has held senior management positions in Unitrode Corporation, 3Com Corporation and Maxtor Ireland where he was General Manager prior to joining An Post. He is a non-executive Director of Xilinx Corporation's European Board and is a Director of Premier Lotteries Ireland Limited.

2. John Daly, A.C.M.A., M.SC.(MGMT.)
Retail Operations Director

Mr Daly joined An Post in December 1988 having worked previously as a Management Accountant in FÁS. During the early part of his career with An Post, he worked in the Finance Directorate as a Management Accountant. He then held various senior finance and management positions within the Retail division before being appointed to his current position in October 2006. He is Chairman of The Prize Bond Company Limited.

3. Brian Fay B.A., M.Sc., F.C.A.
Company Secretary

Mr Fay joined An Post in September 2000 and was appointed Company Secretary in August 2014. He is a Chartered Accountant and trained in practice with KPMG. He has held senior finance and regulatory positions in the Company. Prior to joining the Company he held senior financial positions in companies within the manufacturing and service sectors.

4. Peter Gallagher, B.SC., M.B.A., M.INST.D
Director of Strategy and Business Excellence

Mr Gallagher joined An Post in April 2007 as Head of Strategy and Business Excellence. Prior to joining An Post, he had been a Partner in PA Consulting Group's Global Business Transformation Practice where he led major transformational and business operational improvement programmes for private & public sector clients. Previous roles include Director of Strategy with KPMG Consulting and Business Operations Manager (UK & Ireland) for Dell Computer Corporation.

5. Pat Knight, M.SC.(MGMT.), F.C.I.P.D.
Human Resources Director

Mr Knight joined An Post in March 2004 as Human Resources Director. Previously, he had been General Manager of Human Resources at Waterford Crystal, which he joined in 1986 and where he held senior HR roles, both in Ireland and the UK. Previous experience includes work as a Personnel Officer with Bord na Móna plc. He is a Trustee of the An Post Superannuation Schemes and a Director of Air Business Limited.

6. John McConnell B.Tech. H.Dip. Mgt., M.B.A.
Director of Innovation and Quality

Mr McConnell joined An Post in January 2009 as Head of Quality and was appointed to his current position of Director of Innovation and Quality in September 2014. He has broad experience of numerous industries holding senior management positions in Elan Corporation, Baxter Healthcare and latterly as Vice President of Business Process Improvement in Syncreon. He is a Six Sigma Certified Black Belt from Motorola University.

7. Brian McCormick, B.E., M.B.A.
Services Director

Mr McCormick joined An Post in May 2002 as Strategy Director and was appointed to his current position of Services Director in October 2003. Prior experience includes CRH plc and Merriam Corporate Finance where he was a Director. He is a Trustee of the An Post Superannuation Schemes and Chairman of One Direct (Ireland) Limited and Air Business Limited.

8. Liam O'Sullivan
Mails Operations Director

Mr O'Sullivan joined An Post in 1985. During his career, he has gained broad experience across the full range of the Company's business. He has held various senior managerial and project management positions in the Company. He was appointed as Mail Processing Director in July 2004 and also served a period as Director of Collection & Delivery Change Programmes and Operations. He took up his current position in April 2009.

9. Peter Quinn, B.Comm., F.C.A., M.B.A.
Chief Financial Officer

Mr Quinn joined An Post in August 2004. He is a Chartered Accountant and trained in practice with KPMG. Mr Quinn previously held senior financial and strategic positions in PJ Carroll and Company plc and Monaghan Mushrooms Limited. He is a Director of Premier Lotteries Ireland Limited.

10. Liam Sheehan
Sales and Marketing Director

Mr Sheehan was appointed as Sales and Marketing Director in October 2006. He has extensive experience in the Irish fast moving consumer goods sector and in brand creation, channel management and sales strategy. He previously held senior Sales and Marketing positions in Procter & Gamble and in Guinness and he was Commercial Director with Erin Foods. He is a Director of The Prize Bond Company Limited. He is also Chairman of The Gift Voucher Shop Limited.

11. Barney Whelan, B.SC., M.B.A., F.P.R.I.I.
Director of Communications and Corporate affairs

Mr Whelan joined An Post in January 2005. Having spent many years in the aquaculture industry, he was responsible for public relations and brand communications at the ESB. He subsequently held the position of Director, Sales and Marketing at The Food Safety Promotion Board. He was appointed to his current position in October 2006.

**IN 2014
AN POST
PRODUCED
A GROUP
OPERATING
PROFIT OF
€5.9M**



Group Operating Profit/(Loss)

A portrait of Donal Connell, Chief Executive of An Post, smiling. He is wearing a dark blue suit, a light blue shirt, and a blue patterned tie. The background is a blurred indoor setting.

2014 was a year of significant challenge and change at An Post as the Company continued to adapt in order to stay relevant to our customers. We made very impressive progress in this regard.

Donal Connell Chief Executive

CHIEF EXECUTIVE'S REVIEW

AN POST ANNUAL REPORT 2014

2014 HIGHLIGHTS

- We produced a Group operating profit of €5.9m and an overall profit for the financial year of €24.2m.
- Quality of Service in our Mails operations exceeded our targets in both Domestic and International delivery.
- We successfully completed our €40m Mails Automation Programme.
- Our domestic parcels and packets business continued to grow strongly.
- The Mails Price Cap mechanism was agreed and it has had a significant impact – this also means that we have certainty on pricing for the next three years.
- The plan to address the difficulties facing the Pension Scheme was accepted by The Pensions Authority.
- We have achieved further significant cost reductions including a Full Time Equivalent (FTE) reduction of 217 in the year.
- Our Retail business continued to develop new revenue streams and maintained profitability; the National Treasury Management Fund is now over €19bn, 17% of the personal savings market.
- We were successful in winning the new Department of Social Protection contract.
- Our other Group businesses have continued to perform strongly in line with the Business Plan.
- Premier Lotteries Ireland Limited, of which we are a shareholder, successfully took over the running of the National Lottery.

CHIEF EXECUTIVE'S REVIEW CONT.

Despite the general upturn in the economy, the Company is still in a difficult trading environment for core mails products. Postal operators elsewhere are in the same situation. In general they are dealing with their business environment in the same way as we are. We continue to focus on operational productivity, consolidation and automation as well as embedding innovation and targeting specific growth sectors in the Mails business

The positive trends in real GDP, employment and consumption within the Irish economy continued in 2014. There is greater confidence that Irish markets will continue to grow, with a consequent inward flow of investment and this should have a positive impact on our financial performance.

Volume decline is certainly challenging the basis of the current postal business model. Since 2008 we have lost one third of our mails volumes due to economic and technological factors. There is a need to examine the future of the USO and the postal service in general. The overall aim must be that the country has a sustainable service which meets the needs of both senders and receivers into the future. It is crucial that there is stakeholder alignment around a future vision for the service.

Finances

The financial year 2014 produced a Group operating profit of €5.9m compared to a Group operating loss of €11.5m before exceptional items in the previous year, an improvement of €17.4m. This result is significant in that it sees a return to operating profits and whilst modest, it is an important endorsement of the strategy being pursued by the Company.

It is very satisfactory to report that Group revenue increased to €820.6m during the course of 2014. Mails revenue overall amounted to €521.3m, €10.6m (2.1%) higher than 2013.

Implementing appropriate pricing, improving quality and cost efficiency in the core business, combined with successful diversification, has re-positioned the Group and provides a sustainable financial basis for the future.

An Post welcomed ComReg's introduction of a Price Cap Mechanism as provided for in the Communications Regulation (Postal Services) Act 2011. The Company implemented a price increase in July 2014 for our mail services including those in the Universal Services area. While the first price point on the domestic letter service moved from 60c to 68c, our rates are still below the European average.

Revenue in the retail division at €166.6m was broadly in line with the previous year. The turnover of other Group companies at €119m was broadly in line with 2013 reflecting a solid performance in their respective product portfolios. Profit margins improved and remain strong across these businesses.

The implementation of our Change programme continued over the course of the year. In the period since 2008 there has been a reduction in the FTE number in the Company of 1,836 and the annualised labour cost has reduced by over €75m.

621M

ITEMS OF MAIL PROCESSED IN 2014



In 2014 the Company invested €25m in Premier Lotteries Ireland. The new operator whose investors are An Post, the Ontario Teachers' Pension Plan and the An Post Pension Plan commenced the operation of the National Lottery following transition in November 2014.

Mails

During 2014 we saw a decline in core Mail revenues of 3.3% which is broadly in line with our budget of 3.5%. Parcels and packets traffic increased dramatically in November and December as our major customers experienced a significant increase in demand and this resulted in a volume increase of approximately 6% in this segment, compared to the prior year.

We are focused on providing a modern service reflecting our customers' needs. We are creating a high quality multi-channel parcels and packets business to exploit the growth in online shopping and e-commerce. During 2014 we upgraded our parcels services and capabilities and further developments will emerge in 2015.

As a business partner of e-commerce companies An Post has long supported online suppliers such as Amazon. Many of our traditional retail customers such as Marks and Spencer and Brown Thomas are transforming their business models to suit today's digital world. We are providing them with a full suite of fast, reliable and competitively priced options to anticipate and satisfy their customers' needs.

The e-fulfilment segment is subject to considerable service innovation and price pressure. It is a growth sector for us and while it is vital that we continue to grow our volume and share of this market, we will also avoid un-profitable business in this context.

We successfully resolved a number of issues with ComReg including the High Court case on Mails quality performance.

We have seen our Quality of Service improve significantly during 2014, once more exceeding our targets for both Domestic and International outbound delivery. This outcome reflects our continued focus on process improvement and technical innovation. We achieved not only progressive technical improvements but we have also managed to maintain the required quality standards.

There is no doubt that mail volume decline is now well established, albeit at a slower rate and we will continue to align our headcount with the business reality.

The Company completed its automation programme during 2014 and there were further change programme savings secured as a result of this initiative and the facility it provides to achieve enhanced efficiencies.

CHIEF EXECUTIVE'S REVIEW CONT.

€8,814M
**WELFARE BENEFITS
PAID ON BEHALF OF THE
DEPARTMENT OF
SOCIAL PROTECTION**



We continued to run an effective and efficient mail network. During 2014, we continued to integrate small distribution offices into our larger, more efficient Delivery Service Units. In doing so, we have achieved significant Quality of Service improvements, productivity gains, cost savings and we have provided much improved working conditions for our staff. We will seek further opportunities to improve the efficiency of the mail network.

Mails Universal Service Obligation (USO)

The Company plans to provide the current 5-day USO service over the next five years. The financial shortfall in the USO during 2014 was €38m compared to €55m in 2013, a substantial improvement. The ongoing implementation of the Price Cap Mechanism and other actions will facilitate further improvement in this situation. At present, however, we must cross-subsidise our provision of the USO service by other commercial activities. We do not envisage Government funding in the near term. In the longer term this business model may not be sustainable if mail volumes continue to decline.

Retail

We operate an unrivalled retail network. Our 1,140 Post Offices cover the length and breadth of Ireland. In 2014 we had 52 Company-owned and managed offices, 1,088 contractor offices and 132 postal agencies. During the year we opened 46 newly located or improved Post Offices and continued our programme of consolidation and refurbishment. This network provides access to a wide range of products and services on behalf of over 300 business and government agencies, from passports to PostFX Foreign Exchange, banking to bill payments. The efficient variable-cost model is increasingly attractive to our corporate customers when compared to the fixed costs which they incurred by having diffuse branch office networks. We look forward to forming new partnerships in this area.

Our Retail business performed profitably and we have seen strong growth in commercial products. These services along with Government business remain a crucial source of revenue to us.

The State Savings fund continued to grow and is now worth more than €19bn; this amounts now to just over 17% of all personal savings in the country.

In addition, we added a number of new product offerings in partnership with companies such as Aviva, AIB and KBC and further enhanced a number of our popular retail products such as PostFX Foreign Exchange and One4all gift cards.

In line with the decline in letter volumes and the improvement in the unemployment figures resulting in a drop in the number of social welfare benefit payments, retail transactions fell by 3.5% in 2014. In response we continued to extend the range of services we offer, launching new innovative products to extend our customer base. Revenue in the retail network declined by €2.7m to €166.6m, mainly as a result of declining social welfare transactions; this was partially offset by growth in foreign exchange and banking transactions, as well as the achievement of good cost management across the business.

Our Retail network faces many challenges, including significant price-pressure on bill payment revenue, competition from alternative payment networks and the low growth potential of current Government business. For example less than 20% of new Pension and Child Benefit welfare recipients collect their payment through the Post Office. We continue to see changes in retail demographics including the locations and times at which customers are choosing to shop.

Government policy in relation to the role of the Post Office will be an important determinant of strategy in the coming years. The future of the Post Office and its role in the country's economic life is an issue which merits debate and we continue to ensure that Government is aware of the strategic impact of policy change on this aspect of our business.

A Cabinet sub-committee was formed in early 2014 to look at additional Government services and business which might be delivered through the Post Office network. This group recommended the formation of a Post Office Business Development Group. Mr Bobby Kerr has been appointed to chair the body which met for the first time in late January this year. This group is made up of representatives of An Post, the Minister for Rural Affairs, the Minister for the Gaeltacht, the Department of Communications, Energy and Natural Resources and the Irish Postmasters Union.

We need Government support to enhance the role of our network and consequently to sustain it as a viable enterprise.

We will ensure that we adapt our service offerings to take advantage of Government needs, wherever possible and we will continue to develop service offerings which will facilitate its drive for greater efficiencies.

Pensions

During 2014 the plan to address the Superannuation Scheme deficit as required by the Minimum Funding Standard (MFS) was approved by The Pensions Authority. This plan is a most significant agreement for our Company and all our stakeholders. This plan to bring the Pension Fund back into equilibrium by 2023 is very much on track and we are pleased to note that there was significant growth in the Scheme assets during the year from €2,197m to €2,599m, an increase of €402m.

The Balance Sheet for the Group at 31 December 2014 records a pension deficit of €440m. This is calculated according to the accounting rules set out in FRS17 including the requirement to value the scheme liabilities using the discount rate at a particular point in time. The valuation of the scheme liabilities under FRS17 is largely impacted by movements in the discount rate used. The discount rate, 2.2% used in the FRS17 measure, at 31 December 2014 was at a record low, and increased the measurement of pension liabilities at year end. The performance of the Fund continues to meet The Pensions Authority requirements for the MFS and is not impacted by these accounting rules.

CHIEF EXECUTIVE'S REVIEW CONT.

Eircodes

The Company has continued to engage with Capita, the Postcodes Management Licence Holder, and we are working very closely with all parties towards the effective and successful implementation of this new system. It is expected to be introduced later this year and will feature a code for every letterbox in the State.

New products and services

An Post is known as a “trusted intermediary”, a position which has been built over generations, a value which we manage on a day-to-day basis. It is the fundamental cornerstone of what we do, it is our licence to operate our mails and financial services; it is also the basis on which we are developing new products and services.

The Company continues to invest in innovation and this commitment has been further enhanced by the appointment of a Director of Innovation and Quality with a remit to research and develop innovative products and services.

As part of our parcel service development we are creating an efficient inter-operable network. For example, customers who are not in a position to receive their items at the indicated address can nominate an alternate address including their local Delivery Service Unit where we have extended parcel collection hours; they can also nominate their local Post Office or a neighbour for instance.

These innovative developments were made possible by the extended utilisation of handheld scanners provided to all postal operatives during 2013. This initiative continues to provide greater visibility to both senders and recipients, increasing their confidence in our service.

Initiatives such as “*MyParcel Pickup*” and “*DeliveryBox*” are but two examples of how we are responding to changing customer needs. Not only do these developments address the business process needs of an increasing number of companies but they make effective use of the inherent trust in our brand and our extensive reach throughout the country.

We work closely with businesses of all sizes to plan and deliver targeted, cost effective and multichannel direct marketing solutions. Mail still remains one of the most effective channels to acquire and retain customers. We provide products which can help our business customers reach every premises in the nation as well as products which allow street-by-street targeting.

Sustainability

We are part of the IPC Environmental Measurement and Monitoring Scheme and 2014 saw us improve our ranking in this Scheme once more. We are now ranked within the top ten participating Postal Companies. We have done this by reducing our carbon emissions by 35% since 2008, the base year. The Company’s Five Year Plan sees us retaining our ISO 50001 Building Energy standard and achieving the ISO 14000 Environmental Management accreditation during the period. We will continue to focus on progressive reductions in carbon emissions in both Buildings and Fleet. We are also expected to achieve a Government target

€7M

GOVERNMENT FUNDING FOR GPO WITNESS HISTORY CENTRE

GPO WITNESS
HISTORY

of 33% improvement in energy efficiency by 2020 from our performance in 2010. We report these figures annually. Initiatives including energy monitoring and management systems have resulted in significant cost savings to date.

2016, the Centenary of 1916

Government announced the decision to fund our proposal to build a 1916 Centenary Interpretive and Exhibition Centre within the eastern courtyard of the GPO. There is a commitment to provide funding of €7m. Work is progressing satisfactorily on the ground and off-site. We plan to open this Centre, 'GPO Witness History' in March 2016. The Company appreciates the support it has received from officials in the Department of Arts, Heritage and the Gaeltacht as well as those in the National Archives, the National Museum and the Office of Public Works.

Brand

In December 2014, we launched our latest through-the-line advertising campaign in the "Do More" series entitled "Let Them Know." The campaign which was delivered across TV, direct mail, outdoor, radio and digital was an invitation to our customers to take time to write and post Christmas cards to friends and family, both home and abroad. Importantly, our new campaign spoke to younger families and encouraged them to begin their own Christmas card tradition.

Campaign outcomes were very positive with an increase in purchase occasions and volume sales.

In addition to our new Christmas campaign, our mails, parcels, bill payment and foreign exchange services all received advertising support during the year.

We have an extensive cycling sponsorship portfolio. The work we do in this regard was recognised at the European Sponsorship Awards when An Post won Gold in the Business to Community Category. Our Literacy Awareness campaign continued to perform as strongly as in previous years, not only researching well from the Company's perspective but also making a real and lasting change to so many people's lives.

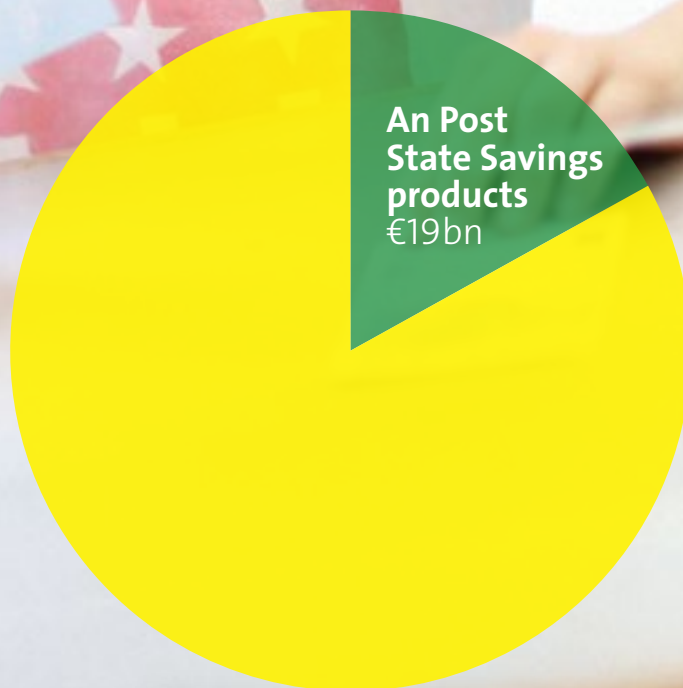
The progress made in 2014 is a credit to all those working in An Post and I look forward to continued improvement across the breadth of the Group's activities.



Donal Connell
Chief Executive

A person's hand is holding a smartphone, which is out of focus. The background shows a blurred interior of a retail store, possibly a grocery or electronics store, with shelves and products visible. The text is overlaid on the top left of the image.

**IN 2014
AN POST
WIDENED
THE RETAIL
REVENUE
BASE.**



An Post
State Savings
products
€19bn

An Post services 17% of the
personal savings market in Ireland

FINANCIAL REVIEW

The financial year 2014 ended with a Group operating profit of €5.9m compared to a pre exceptional Group operating loss of €11.5m the previous year.

	2014 €m	2013 €m
Turnover	820.6	811.7
Group operating profit/(loss) (pre exceptional)	5.9	(11.5)
Profit for the financial year	24.2	5.9
Net assets (excluding pension liability)	217.4	224.3

The improvement of €17.4m in the group operating result for 2014, when compared with 2013, represents a very significant achievement in returning to an operating profit.

Revenue

It is very satisfactory to report that Group revenue increased to €820.6m during the course of the year. Mails revenue overall in 2014 is €521.3m, being €10.6m (2.1%) higher than 2013. The key movements were; price increase of €15.3m, election revenue of €9.4m and adverse volume decline of €14.1m.

Traditional mail volume reduced by 3.3% in the course of the year. This is along expected lines (budget had been for 3.5% decline) and represents a structural change in the postal industry with e-substitution being the main driver. The trends in Ireland reflect the trends experienced elsewhere in the postal sector.

The impact of increased pricing added €15.3m in revenue in 2014 versus 2013 and this policy of price increases is in line with that being followed by most national postal operators.

Revenue in the retail division, €166.6m, was broadly in line with the previous year. Increased revenue from areas such as foreign currency transactions at €7.2m (up 39% on 2013) and banking transactions at €5.8m (up 3% on 2013) compensate to a degree for having reduced revenue from Department of Social Protection transactions (down 5.2% on 2013). The Post Office continued to manage the State Savings products, now with a combined value of €19 billion and the cash payments business for the Department of Social Protection. In addition the Post Office added a number of successful relationships with companies such as Aviva, AIB and KBC and further increased its popular retail products such as PostFX and One4all giftcards.

Subsidiaries

The turnover of subsidiary companies at €119m was broadly in line with 2013 reflecting a solid performance in their respective product portfolios. Profit margins remain positive across these businesses. Each subsidiary is in a strong position in their particular market and they maximise the benefit of their linkage with An Post network and brand. The continued strong performance of Air Business in the UK, the association of Aviva with One Direct, as well as the sustained growth of the Gift Voucher Shop in Ireland and the UK, are positive indicators for the year ahead.

Pricing

An Post welcomes ComReg's introduction of a Price Cap Mechanism as provided for in the Communications Regulation (Postal Services) Act 2011 and it is intended to implement this with regular modest increases rather than any significant price movement.

In July 2014, prices for mail services including those in the Universal Services area were increased. The increases implemented were relatively modest with the first price point on the domestic letter service moving from 60c to 68c, still below the European average. The ongoing losses incurred in fulfilling the Universal Service is a topic to be discussed with key stakeholders in the near term.

Costs

Change programme implementation continued over the course of the year. In the period since 2008 there has been a reduction in the FTE number in the Company by 1,836 and the annualised labour cost has reduced by over €75m since 2008.

Base labour costs reduced by €10m in the year. The run rate of FTE was reduced by 217. There were European and local elections to service in the year and these added €4.1m to the labour bill.

Regulatory accounts for the year ended December 2014 show losses in the regulated USO area of €38m. This is significantly down from the prior year loss of €55.5m. The labour cost savings and price impacts are mainly reflected in this area. The losses are cross subsidised by other areas of the business activity in a model that is common to postal operators.

2013 saw the Company complete the mails automation programme. In the year 2014 further change programme savings were secured on the back of that programme. The facility that it provides to achieve further efficiency resulted in significant FTE reductions, particularly at the Dublin Mails Centre.

In the initial phase of the change programme there were extensive non pay savings achieved. Non pay in 2014 was €8.5m lower than in 2008. There have been further savings in base costs achieved in 2014 and in some cost headings such as fuel and electricity initiatives in usage and efficiency bore increased savings. Along with this, further savings in professional services and IT services were achieved. Increased parcels and packet services do bring incremental variable costs but these are covered by the incremental revenue.

Fixed Assets

Capital expenditure in 2014 amounted to €9.9m. There were no significant asset disposals during the year. 2014 saw the completion of investment in the latest generation of mails processing equipment and while the Group will continue to invest in the business in the years ahead, the major capital programmes of recent years are now complete.

Investment in Premier Lotteries Ireland

In 2014 an investment of €25m was made in Premier Lotteries Ireland. The new operator whose investors are An Post, the Ontario Teachers' Pension Plan and the An Post Pension Plan formed a company and won the Licence to operate the National Lottery for a period of twenty years. The investment was made from the company's own resources. The winning of the Licence was a very significant achievement and the investment will prove to be of benefit to the Group in the years ahead.

Pension Scheme

In the context of the Minimum Funding Standard set by The Pensions Authority, the Scheme rules have been changed in line with agreements entered into with the An Post Group of Unions. The Plan continues to meet the obligations and is kept under review by all the stakeholders.

The Group balance sheet at 31 December 2014 includes a pension deficit of €440.5m (€229.2m in 2013). Assumptions used in the calculation of charges and the balance sheet deficit are primarily a discount rate of 2.2% and long run pay/pension inflation of 1.25%. The increase in the deficit arose due to very much reduced discount rates impacting on the calculation of the pension liability. The return on scheme assets in the calendar year 2014 was very strong at 18.3%.

Outlook

The financial result in 2014 is a very significant achievement bringing the operating profit to €5.9m from a pre exceptional operating loss of €11.5m. The trading performance achieved and the cash resources on the Balance Sheet provide a solid starting position for the next five year business plan.

Implementing appropriate pricing, improving quality and cost efficiency in the core business, combined with successful diversification, has re-positioned the Group and facilitates a sustainable financial basis into the future.

UNIVERSAL SERVICE

The Communications Regulation (Postal Services) Act 2011 ('the Act') was enacted in August 2011.

Requirements of the Universal Service Obligation ('USO')

Under Section 17 of the Act, An Post is designated as the Universal Postal Service Provider for a period of 12 years until August 2023.

Under Section 16 of the Act, "Universal Postal Service" means that on every working day, except in such circumstances or geographical conditions deemed exceptional by ComReg, there is at least:

- (i) one clearance, and
- (ii) one delivery to the home or premises of every person in the State or, as ComReg considers appropriate, under such conditions as it may determine from time to time, to appropriate installations.

Pursuant to Section 16(1)(a) of the Act 2011 and on foot of An Post's application, four separate decisions were made by ComReg in 2014 to grant An Post certain derogations from 1 January 2015 in respect of the above. In respect of each of the four working days set out below, ComReg has granted derogations from the USO:

- A part derogation from the USO shall apply for Good Friday,
- Derogation from the USO for Mondays following a public holiday which falls on a Saturday or Sunday,
- Derogation from the USO for 24 December (Christmas Eve – derogation for Collections only), and
- Derogation from the USO for first working day after 26 December (St. Stephen's Day).

Details of these decisions and conditions attached to the above derogations are available from ComReg document 14/135 at www.comreg.ie.

The following USO services are provided:

- (a) the clearance, sorting, transport and distribution of postal packets up to 2kg in weight;
- (b) the clearance, sorting, transport and distribution of postal parcels to a weight limit to be specified by order of ComReg (or in the absence of this 20kg). ComReg has decided not to use its power to change the maximum weight limit of 20kg but will keep this under review;
- (c) the sorting, transportation and distribution of parcels from other Member States of the European Union up to 20kg in weight;

- (d) a registered items service;
- (e) an insured items service within the State and to and from all countries which, as signatories to the Universal Postal Convention of the Universal Postal Union, declare their willingness to admit such items whether reciprocally or in one direction only; and
- (f) postal services free of charge to blind and partially sighted persons.

As required by Section 16(9) of the Act, in July 2012 ComReg made regulations specifying the services to be provided by An Post relating to the provision of the universal postal service. The Communication Regulation (Universal Postal Services) Regulations, S.I. 280 of 2012 which sets out these services is available on www.irishstatutebook.ie or www.comreg.ie.

The terms and conditions of Universal Services are available on www.anpost.ie.

Access to Universal Services

An Post provides access to its services through its network of 52 Company Post Offices and 1,088 Contract Post Offices. In addition, some 1,127 retail premises are licensed to sell postage stamps, as active licensed agents. To facilitate physical access to the service, approximately 5,700 post boxes are distributed widely throughout the State. There are 43 designated acceptance points for bulk mail services.

Tariffs

The following is a summary of the prices for standard services weighing up to 100g which were applicable since 21 July 2014.

Ireland & NI	Standard Post	Registered Post*
Letters (up to C5)	68c 66c if item bears a franking impression	€6.00
Large Envelopes	€1.20 €1.15 if item bears a franking impression	€6.00
Packets	€2.70 €2.60 if item bears a franking impression	€6.00
Parcels	€7.00	€11.00

*The fee payable for the basic registered service covers compensation up to a maximum of €320. Further compensation (non Universal Service) up to a limit of €1,500 is available for €4 and up to a limit of €2,000 for €5 based on declared value at time of posting.

International Destinations	Standard Post	Registered Post*
Letters (up to C5)	€1.00	€6.00
Large Envelopes	€1.95	€6.95
Packets	€3.80	€8.80
Parcels		
GB (Great Britain)	GB €20.50	GB €25.50
ROW (Rest of World)	ROW €25.50	ROW €30.50

*Availability of service dependent on postal administration in destination country. Compensation up to €320 in GB; €150 in Europe; €100 for parcels and €35 for letters outside Europe.

A full list of current USO tariffs is available in the Guide to Postal Rates (see www.anpost.ie).

Under Section 30 of the Act, where ComReg is of the opinion that there is no effective competition in the market for the supply of certain services, it shall make a decision specifying a price cap in respect of these services. ComReg issued a consultation on the introduction of a Price Cap Mechanism and its decision was published on 18 June 2014, (ComReg document 14/59 on www.comreg.ie). This established a five year price cap (2014–2018).

Quality of Service

International

The quality performance standard for the delivery of intra-Community cross-border mail was laid down in the Postal Directives (97/67/EC as amended) and is included in Schedule 3 of the Act. The quality standard for postal items of the fastest standard category is as follows:

D+3: 85% of items; D+5: 97% of items, where D refers to the day of posting.

Domestic

The Act requires ComReg to set quality-of-service standards for domestic universal service mail which must be compatible with those for intra-Community cross-border services. ComReg have set a quality-of-service target for domestic single piece priority mail as follows:

D+1: 94% D+3: 99.5%, where D refers to the day of posting.

Customer Complaints

An Post is required to maintain records of customer complaints taking into account the relevant European standard IS: EN 14012:2003. The table provides, in relation to mail, a breakdown of written complaints received from customers during 2014. The total continues to represent a minute fraction of the entire mail traffic handled during the year.

Written complaints received from customers	
Items lost or substantially delayed	18,214
Items damaged	1,140
Items arriving late	319
Mail collection or delivery:	
Time of delivery	–
Failure to make daily delivery to home or premises	71
Collection times/Collection failures	2
Misdelivery	394
Access to customer service information	10
Underpaid mail	119
Tariffs for single piece mail/discount schemes and conditions	5
Change of address (Redirections)	398
Behaviour and competence of postal personnel	48
How complaints are treated	1
Other (not included in above)	1,569
Total	22,290*

*This represents 0.0036% of total mail handled in the year.

Included in the total figure are complaints about Registered items, which number 5,326.

In 2014, there were 534,354 telephone calls made to An Post Customer Services. Most of these were routine or general enquiries rather than complaints.

ComReg has issued Guidelines for Postal Service Providers on Complaints and Redress Procedures (see ComReg document 14/06 on www.comreg.ie). An Post Complaints and Dispute Resolution Procedures are set out in 'Getting it Sorted', which is available on our website, in retail outlets, and from our Customer Services Centre.

A Customer Charter containing specific pledges to customers regarding our services is also available on our website.

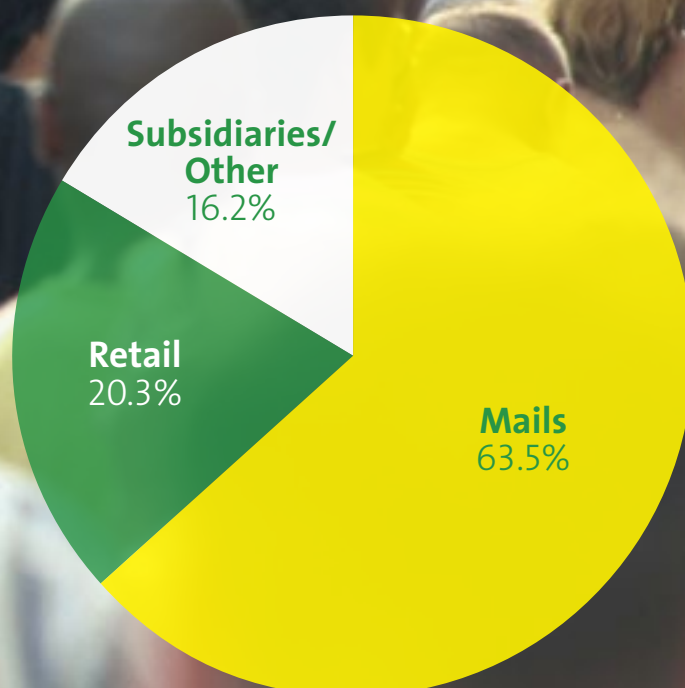
Further Information

Additional information in relation to services provided by An Post is available by phoning An Post Customer Services on CallSave 1850 57 58 59, by email at customer.services@anpost.ie, by visiting www.anpost.ie, or by calling into any Post Office.

A large, dense crowd of people is seen from behind, filling a city street. In the background, there are buildings, a red traffic light, and a colorful star-shaped balloon. A yellow rectangular box is superimposed over the middle of the image, containing green text.

**IN 2014
AN POST**

**SOLD MORE
PRODUCTS
& SERVICES
TO MORE
PEOPLE.**



2014 Revenue

SUSTAINABILITY

Sustainability is now included as a distinct area of activity within the Company's current Five Year Plan.

The main sustainability objective being that An Post will achieve accreditation to ISO14001 Environmental Management Standard, or a suitable alternative environmental standard within this timeframe.

In 2014, a strategy was developed which concentrates on initiatives within our properties portfolio, while seeking to maintain the level of energy used by our fleet at 2012 levels. This is one of a number of key strategic projects being managed within the Company

Workplace

An Post has an established structure to ensure the provision of high quality working conditions for our staff of over 10,024 Full Time Equivalent employees (FTEs).

Our framework includes policies, practice and procedures in the areas of occupational health and safety, staff well-being, training and development and includes the following:

- A documented and communicated Safety Statement;
- The OHSAS 18001/2007 management system standard;
- A training policy entitled 'Building Organisational Capacity';
- A staff education and support scheme;
- Best-in-class policy and practice in relation to Diversity and Equality including co-operative working with the Disability Authority; and
- A Central Partnership Forum providing a regular opportunity to meet with staff representatives and to communicate with staff across all roles and locations in the Company.

Diversity

During 2014 work on Diversity included:

- The completion of an Equality Audit in Q3, including both demographic and employee related data.
- Part 5 of the Disability Act 2005 directs all public bodies to ensure that a minimum of three percent of persons employed by it are persons with disabilities. An Post continues to exceed this figure annually. The current percentage is 5.26%.
- An Post's Disability Steering Committee and its group of unions, with support from the National Disability Authority, published and launched a new disability guide '*Providing Quality Customer Service to People with a Disability*' on 3rd December 2014 to coincide with International Day of Persons with Disabilities (IDPWD). The theme of IDPWD was '*Break Barriers, Open Doors: For an inclusive society and development for all.*'
- An Post is part of an Advisory committee involved in the development of the Irish Human Rights and Equality Commission (IHREC) e-learning course '*Delivering Equality in the Public Service: An Introduction for Front Line Staff.*' The course is now available for An Post staff, giving an introduction to equality in service delivery and the essentials of Irish equality law.

9.1%

REDUCTION IN ENERGY USAGE IN AN POST PROPERTIES



Marketplace

An Post is operating to a very high standard in relation to the collection and delivery of mails, indeed 2014 saw the Company achieve record quality of service figures. This reflects the focus on quality of service enhancement including ISO 9000:2008 Quality Management System. The Company retained its accreditation in 2014.

Our Quality Management System includes:

- Targets in place for continuous improvement;
- An 'end-to-end' view of the customer experience enshrined in our Customer Charter;
- A defined complaints procedure;
- Continuous monitoring of service performance and customers queuing time through Mystery Shopping surveys; and
- Supports such as provision for hard-of-hearing and visually impaired customers.

Environment

Voluntary reporting by postal administrations on a global level is managed through the International Post Corporation (IPC) using its Environmental Measurement and Monitoring System (EMMS). An Post works within this scheme to improve its carbon management proficiency.

In 2014 the Company ranked 8th among IPC EMMS participants and achieved 'silver' status for our energy management programme.

Energy management forms the backbone of our Sustainability process, driving the agenda across the Company. An Post achieved the ISO 50001 Energy Management System in July 2013 and retained certification in 2014. Based on making incremental improvements in our energy management performance, this international standard will continue to help the Company to achieve reductions in carbon emissions and contribute to our IPC EMMS ranking.

Energy Use

Sustainability at An Post is now a self-funding business stream, based on achieving both energy and economic savings through investment in the measurement and monitoring of energy use.

In 2014 An Post achieved a 9.1% reduction in energy usage in our properties and maintained energy use by our fleet at 2013 levels.

The vast majority of the Company's energy usage is comprised of:

- Heating and lighting our facilities; and
- Fuel consumption within our transport fleet.

SUSTAINABILITY

CONT.

In 2014, An Post consumed 121.58 GWh of energy throughout the Company, the breakdown of which was:

- 22.15 GWh of electricity;
- 22.03 GWh of fossil fuels for heating; and
- 77.4 GWh of fossil fuels for transport.

Throughout 2014, we have continued working towards the Company's strategic target of a 33% reduction in kWhs and 20% reduction in CO₂.

The following initiatives and programmes were undertaken during 2014:

- Building Management Services Upgrade and Energy Audit of the four An Post Mails Centres resulted in savings of 1,100 MW Hrs;
- Installing energy metering and monitoring on a trial basis within the premises of six of the largest energy users. Specific action plans were subsequently developed for the offices resulting in 200 MW Hrs savings;
- Developing an energy awareness campaign, with email alerts to managers coinciding with Bank Holidays, delivering a saving of 600 MW Hrs;
- Incorporating energy efficiency initiatives into all new building works;
- Installation of 20 'Climote' internet based heating control timers in An Post properties saving 550 MW Hrs;
- Centralising the planned preventative maintenance programme for An Post, which resulted in 200 MW Hrs savings;
- Lighting upgrade works including LED car park lighting and installation motion sensors, saving 450 MW Hrs; and
- Boiler upgrades in five offices resulting in savings of 200 MW Hrs.

Actions planned for 2015

The Company is committed to improving our energy use and CO₂ reduction by undertaking the following initiatives during 2015

- Investing further in lighting upgrades throughout our property portfolio;
- The roll out of energy improvement projects including
 - Energy reduction initiatives targeted at our top 21 energy users by size and KW Hrs per m²;
 - Commencing the roll out and implementation of an Energy Monitoring System to our properties;
 - A system of heating controls incorporating external/ambient temperature sensors among high energy users;
 - Installing CO₂ monitoring software on the heating systems in the larger offices;
- Supporting our local offices to implement a Company-wide benchmarking system for energy use, to identify energy improvement opportunities in each office and to contribute to our overall energy performance targets;
- Driver training resulting in savings of 1GW Hrs.

Community

Literacy

The 2014 Organisation for Economic Cooperation and Development (OECD) report showed that one in five adults in Ireland continue to have difficulty with reading, writing and numeracy, either through leaving school early, struggling with learning in the classroom or lack of practice in adulthood.

AN POST CYCLE SERIES IS IRELAND'S MOST POPULAR COMMUNITY CYCLING EVENT



Triggers which move people toward returning to learning at a level which suits them include children starting school, gaining or losing a job, family moving abroad and the need to up-skill, opening the way to new opportunities.

An Post continued to work with the National Adult Literacy Agency (NALA) to promote adult literacy through a targeted public information campaign driving traffic to the NALA helpline. Actual response rates to planned campaigns over the past seven years remain consistent with 1,000 calls received to the helpline attributed directly to the direct response ad, which is the focal point of each campaign. Since the advertisements first broadcast in September 2007, NALA has recorded approximately 20,000 such calls and texts to its free phone support line. The advertising campaign has showcased in Europe and internationally as an example of best practice in raising awareness of literacy services.

An Post has played an integral part in the near 40 percent increase in adults attending adult literacy courses since 2007 (from 40,000 to 55,000 people).

Cycling

An Post continues to make a long term commitment to the sport of cycling, at every level. Over the past seven years this support has made a real difference;

- In 2014 16,800 people participated in An Post Cycle Series, Ireland's biggest mass participation cycling event, held in five locations over the summer months;
- An Post Rás and An Post Rás na mBan are the two premiere cycling racing events in the country and showcase the best Irish racing talent competing against riders from around the world;
- We are among the supporters of the Irish paracycling team, which continues to train and compete at international level, with a view to competing in the Rio 2016 Paralympic Games; and
- Working with sports federations, local sports partnerships, voluntary committees, civic and business representatives, we create a sustainable model of partnership to enable cycling in Ireland happen at the highest standard. This model of co-operation is important to safeguard the future of the sport, the significant economic benefit to the towns and villages which host cycling events and to maximising recruitment to the sport.

Education

An Post remains a key part of Ireland's infrastructure and a trusted intermediary for households and businesses nationwide. Our online education resource, www.anpostschoolbag.ie offers competitions, video content, lesson plans as well as an overview of An Post's business.

It is a reliable, and fun source of information with curriculum-linked activities and real-life Irish examples. The resource continues to show growth across all metrics, with enhanced engagement among our target audience of teachers and school children of all ages.

IN 2014

**DOMESTIC
PARCELS AND
PACKETS BUSINESS
CONTINUED TO
GROW STRONGLY.**





+6%

Increase in volume of contract parcels

STAMP ISSUES AND PHILATELIC PUBLICATIONS

AN POST WINS GOLD AWARD AT THE 2014 EUROPEAN DESIGN AWARDS



An Post issued 39 special and commemorative stamps in 2014, covering a diverse range of topics including the 50th anniversary of the death of Brendan Behan, The Home Rule Act 1914, Viking Heritage and Europa – ‘National Musical Instruments.’

Amongst the highlights of the 2014 programme were two beautiful stamps issued to celebrate Ireland’s hosting of the World Flower Show in June. The designer, Atelier David Smith, used x-ray techniques to photograph a Phalaenopsis Orchid, revealing the subtle hues and intricate detail of the petals. The 100th anniversary of the start of World War One was marked by two stamps designed by Ger Garland illustrating British army recruitment posters of the period which were specifically produced for display in Ireland. In August, a set of four stamps by Zinc Design showed the diverse roles of the Irish Prison Services – Care and Custody, Rehabilitation, Restorative Justice and Education.

An Post produced four stamps in the second series showcasing the Visual Arts. Designed by Ger Garland, this set featured the work of acclaimed Irish visual artists Sean Scully – *Maesta*; Eilis O’Connell – *Light Receiver*; Diana Copperwhite – *Patterned Behaviour* and Alice Maher – *Chaplet*.

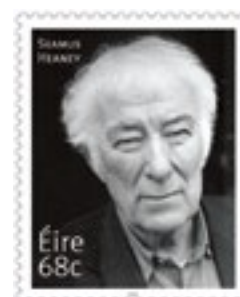
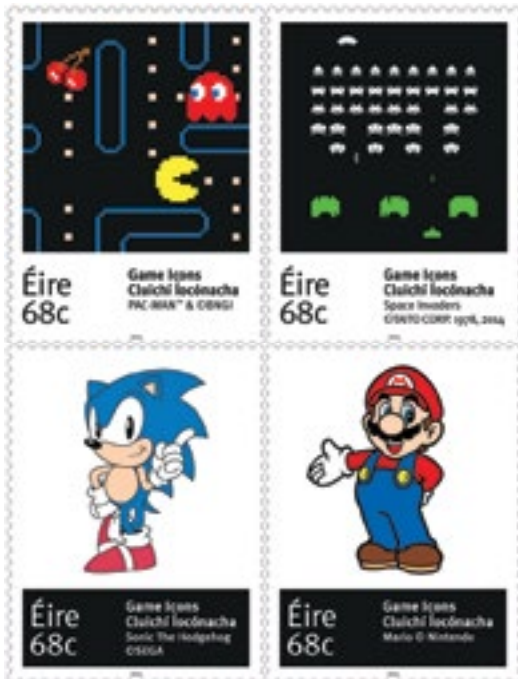
In October, An Post issued four stamps celebrating Game Icons including Sonic The Hedgehog™ and Super Mario™. The set marked the widespread popularity of the games and the transition of gaming from novelty to global industry.

In addition, phase five of the Seventh Definitive Series – Irish Animals and Marine Life – was introduced in July. This beautiful series was once more produced in the Stamps On A Roll (SOAR) format. Available at all Post Offices, SOAR allows the denomination of the stamp to be printed at the Post Office counter at the time of purchase and provides real-time retail management information.

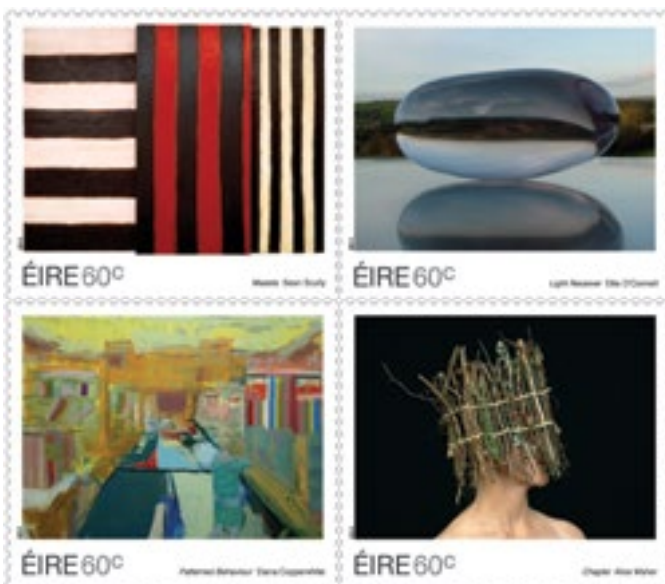
A diverse portfolio of associated collateral was also produced, including Prestige Booklets, Miniature Sheets, a Year Pack and First Day Cover (FDC) Collection. The Year Pack included an exclusive, limited edition, black print cat stamp, which was exclusively available with this product. Once again, the Irish Stamps Year Book was produced in both standard and luxury editions. As ever, this strictly limited edition featured all issues from the annual programme and was produced to the highest standards of design, with stunning imagery and informative text.

An Post contributed to an exhibition at Cobh’s Sirius Art Gallery in County Cork with the temporary loan of original stamp artwork for Kenneth King’s 400th Anniversary of the Spanish Armada. The exhibition, which ran from 14th to 31st August 2014, celebrated the work of this Donegal based Maritime painter.

An Post won a prestigious Gold Award at the European Design Awards 2014 held in Cologne, Germany for the 2013 Dublin UNESCO City of Literature stamp. Designed by The Stone Twins, the stamp was printed with black text on a fluorescent yellow background and featured an entire short story by a young Fighting Words author which captured the essence of Dublin city in 224 words.



STAMP ISSUES AND PHILATELIC PUBLICATIONS CONT.



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AN POST ANNUAL REPORT 2014

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REPORT OF THE DIRECTORS

The directors have pleasure in submitting their thirty first Annual Report together with the audited financial statements of the Group for the year ended 31 December 2014, in fulfilment of their obligations under the Companies Acts, 1963 to 2013.

1. The Group and its Principal Activities

The Company operates the national postal service and money transmission services and provides agency services for Government Departments, the National Treasury Management Agency, the National Lottery and other bodies.

One ordinary share is held by the Minister for Finance (which stands transferred to the Minister for Public Expenditure and Reform under the Ministers and Secretaries Act 2011) and the remainder of the issued share capital is held by the Minister for Communications, Energy and Natural Resources.

Details of the activities carried on by subsidiary and associated undertakings, together with the information required by Section 158 of the Companies Act, 1963, are given in note 25 to the financial statements.

2. Results

Details of the results for the year are set out in the consolidated profit and loss account on page 60 and in the related notes to the financial statements. The directors do not propose the payment of a dividend for the year.

3. Business Review

The Group profit for the financial year is €24.2m and represents a significant improvement on the profit of €5.9m in 2013. The Group operating profit of €5.9m reflects the ongoing improvements and cost efficiency achieved. Year on year trading performance improved by €17.4m in 2014 from the 2013 pre exceptional operating loss of €11.5m.

Turnover from continuing operations at €820.6m is 1.1% up on the 2013 figure of €811.7m. The decline in traditional mails volumes continued, but this was offset by additional revenue arising from local elections and the price increase implemented in July. The year saw increased revenue from subsidiaries and the strategy of diversifying into other mails and retail related products continued to yield positive results. The programme of cost reduction in the core business continued during 2014.

Excluding the pension deficit, the net asset position on the balance sheet for the Group is €217.4m at 31 December 2014 compared to net assets of €224.3m at 31 December 2013. The pension deficit has increased from €229.2m at 31 December 2013 to €440.5m at 31 December 2014. This is very much driven by the assumptions used to value the schemes liabilities. While the value of assets held by the Pension Scheme increased by just over €402m this was more than offset by the increase in the assessed value of the scheme liabilities as a result of the reduction in the discount rate from 3.75% at 31 December 2013 to 2.2% at 31 December 2014.

The information required by Regulation 37 of the European Communities (Companies: Group Accounts) Regulations, 1992, is included in the information given on pages 8 to 25.

On 27 February 2014, Premier Lotteries Ireland signed a 20-year licence to operate the National Lottery. The new operator whose investors are An Post, the An Post pension funds and Ontario Teachers' Pension Plan (OTPP), took over the full operation of the National Lottery following transition in November 2014.

In monitoring performance, the directors and management have regard to a range of key performance indicators (KPIs), including the following:

KPI	Performance in 2014	Performance in 2013
Operating result		
Operating profit/(loss) as a percentage of turnover	0.72%	(1.4%)
Staff costs as a percentage of total operating costs	58.0%	58.2%
Postmasters' costs as a percentage of total operating costs	9.8%	9.8%
Other operating costs as a percentage of total operating costs	32.2%	32.0%
Cash at bank and in hand	€55.6m	€63.9m
Staff – Average Full Time Equivalents (FTE)		
Company	9,237	9,344
Subsidiaries	787	801
Group	10,024	10,145
Company year end FTE run rate	8,521	8,738
Mail business		
Core mail volumes: (page 91)	(3.3%)	(2.0%)
Retail business		
Social welfare transactions	40.5m	42.7m
BillPay transactions	24.4m	25.8m
TV licence sales	1.4m	1.4m
Investment Products – net fund inflow	€624m	€1,731m
Post Office Savings Bank – net fund inflow/(outflow)	€20m	(€123m)
Prize Bonds – net fund inflow	€248m	€280m
Burglaries and Robberies – number of incidents	57	42
Customer Service		
Written complaints	22,290	25,815
Telephone enquiries	534,354	514,698

REPORT OF THE DIRECTORS CONT.

In accordance with the requirement to analyse the key risks and uncertainties facing the future development of the Group and Company, the following have been identified:

- Insufficient funding mechanism for the provision of the Universal Service Obligation (USO);
- Department of Social Protection (DSP) business and retail network sustainability;
- Flexible and efficient cost structure;
- Traditional mail market accelerated decline, including price elasticity risk;
- Emerging market requirements in the packets and parcels markets;
- Risk of fraud (external and internal);
- Increase in absenteeism.

The directors have analysed these and other risks and appropriate programmes are in place to manage and control these risks. The Corporate Governance Statement on pages 44 to 50, which forms part of the Directors' Report, sets out the policies and approach to risks and the related internal control procedures and responsibilities.

4. Directors, Secretary and their Interests

The following changes have taken place in the composition of the Board since the date of the previous report of the directors:

Ms Jennifer Loftus was appointed on 6 May 2014.

Mr Ed Murray was appointed on 7 May 2014.

Mr Jack Dempsey retired as Company Secretary on 25 August 2014 and Mr Brian Fay was appointed as Company Secretary on that date.

The directors and secretary who held office at 31 December 2014 had no interests in the shares, or the debentures of the Company or any Group company at the beginning of the year (or date of appointment if later) or at the end of the year (2013: Nil).

5. Employees

The Group is an equal opportunities employer. All applications for employment are given full and fair consideration, due regard being given to the aptitude and ability of the individual and the requirements of the position concerned. All employees are treated on equal terms as regards training, career development and promotion. An Post confirms that its employment of people with disabilities exceeds the target of 3% set under the Disabilities Act, 2005.

An Post is committed to ensuring the highest safety standards and safe practices for its employees, contractors and members of the public in accordance with the Safety, Health and Welfare at Work Act, 2005. In 2014, there were 2.22 lost time accidents per 100,000 hours worked – this is a reduction of 18% on lost time accidents since 2013.

An Post is committed to reducing lost time accidents and in this regard is undertaking a safety improvement programme which includes the retention of accreditation to the OHSAS 18001:2007 standard in 2014. In addition, 4,007 employees attended specific safety training courses in 2014, with many more attending other courses where safety was included in the content. This includes the provision of advanced driver training for 512 drivers who use our Company fleet. Conscious of the fact that legal obligations are the minimum acceptable standard, An Post is striving for excellence in this area and is continuing to increase awareness among employees and contractors of the necessity for the highest safety standards.

6. Prompt Payment of Accounts

The policy of An Post is to comply with the requirements of relevant prompt payment of accounts legislation. The Group's standard terms of credit taken, unless otherwise specified in specific contractual arrangements, are 30 days. Appropriate internal financial controls are in place, including clearly defined roles and responsibilities and monthly reporting and review of payment practices. These procedures provide reasonable but not absolute assurance against material non-compliance with the regulations.

7. Treasury Risk Management

The Group's treasury operations are managed in accordance with policies approved by the Board. The Group's financial instruments are limited to cash, term deposits and bank loans/overdrafts and as such the Group's operational exposure to financial risks in this regard are limited. The Group's treasury risk management policy allows for limited foreign exchange hedge positions to be taken but does not include the use of derivatives.

8. Accounting Records

The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by engaging accounting personnel with appropriate expertise and by providing adequate resources to the finance function. The books of account of the Company are maintained at the Company's premises at the General Post Office, O'Connell Street, Dublin 1.

9. Auditors

In accordance with Section 160(2) of the Companies Act, 1963, the auditor, KPMG, Chartered Accountants, will continue in office.

On behalf of the Board

Christoph Mueller, Chairman

Donal Connell, Director

26 March 2015

CORPORATE GOVERNANCE

Maintaining high standards of corporate governance continues to be a priority for the directors of An Post. In developing its corporate governance policy, the Board has sought to give effect to the Code of Practice for the Governance of State Bodies, issued by the Department of Finance and to apply the principles of good governance appropriate to the enterprise.

The directors are accountable to the shareholders for good corporate governance and this report addresses how the Code of Practice for the Governance of State Bodies and the principles of good governance have been applied within An Post.

The Board

The Group is controlled through its Board of directors. The Board's main roles are to oversee the operation of the Group, to provide leadership, to approve strategic objectives and to ensure that the necessary financial and other resources are made available to enable those objectives to be met. The Board meets on a regular basis and certain matters are specifically reserved to the Board for its decision.

The specific responsibilities reserved to the Board include: setting Group strategy and approving an annual budget and medium-term projections; reviewing operational and financial performance; approving major capital expenditure; reviewing the Group's systems of financial control and risk management; ensuring that appropriate management development and succession plans are in place; reviewing the environmental, health and safety performance of the Group; approving the appointment of the Company Secretary; and maintaining satisfactory communication with shareholders.

The Board has delegated the following responsibilities to management: the development and recommendation of strategic plans for consideration by the Board that reflect the longer-term objectives and priorities established by the Board; implementation of the strategies and policies of the Group as determined by the Board; monitoring of the operating and financial results against plans and budgets; prioritising the allocation of technical and human resources; and developing and implementing risk management systems.

The Roles of the Chairman and the Chief Executive

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution of all directors and constructive relations between the executive director and the other directors, ensures that directors receive relevant, accurate and timely information and manages effective communication with shareholders.

The Chief Executive has direct charge of the Group on a day to day basis and is accountable to the Board for the financial and operational performance of the Group.

Directors and Directors' independence

All directors are appointed to the Board by the Minister for Communications, Energy and Natural Resources and their conditions of appointment and fees are set out in writing. Employee directors are elected in accordance with the Worker Participation (State Enterprises) Acts, 1977 to 1993 for a term of four years. The postmaster director is elected in accordance with Section 81 of the Postal and Telecommunications Services Act, 1983 for a term of three years. All other directors are appointed for a fixed term, usually five years.

In 2014, the Board was comprised of fifteen directors, namely; the Chairman, the Chief Executive, five employee directors, one postmaster director and seven non-executive directors. The names of the directors together with their biographical details are set out on pages 6 and 7. The positions of Chairman and Chief Executive are held by different people. Given its legal status as a State Company and the responsibility of its principal shareholder in the appointment of directors, the Board believes that it has fulfilled all of the obligations that are required in respect of the appointment of directors.

The Board has formal procedures in place whereby the Chairman meets with the non-executive directors without the executive director being present.

Directors have the right to ensure that any unresolved concerns they may have about the running of the Group or about a particular course of action are recorded in the Board minutes. If they have any such concerns, they may, on resignation, provide a written statement to the Chairman, for circulation to the Board.

The directors are given access to independent professional advice at the Group's expense where they deem it necessary to discharge their responsibilities as directors.

Professional development

On appointment, all new directors take part in an induction programme when they receive information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the principal Board and Board Committees, the Group's corporate governance practices and procedures, including the responsibilities delegated to Group senior management and the latest financial information about the Group. This will typically be supplemented by meetings with key senior executives. Throughout their period in office, the directors are continually updated on the Group's business, the competitive and regulatory environments in which it operates, corporate social responsibility matters and other changes affecting the Group and the postal industry as a whole, by written briefings and meetings with senior executives. Directors are also advised on appointment of their legal and other duties and obligations as a director, both in writing and in face-to-face meetings with the Company Secretary. They are also updated on changes to the legal and governance requirements of the Group and upon themselves as directors.

Performance evaluation

The Board has adopted and performed a formal process for the annual evaluation of its own performance and that of its principal Committees. This includes periodic external performance evaluation. The Board considers that the introduction of any further evaluation of individual directors would be inappropriate given the manner of appointment of directors, the shareholding structure and existing Board procedures.

The Company Secretary

The Company Secretary is a full time employee of An Post. The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. All directors have access to the advice and services of the Company Secretary. The Company's Articles of Association provide that the appointment and removal of the Company Secretary is a matter for the full Board.

Information

Regular reports and papers are circulated to the directors in a timely manner in preparation for Board and Committee meetings. These papers are supplemented by information specifically requested by the directors from time to time.

The directors receive monthly management accounts and regular management reports and information which enable them to scrutinise the Group's and management's performance against agreed objectives.

Relations with shareholders

The Board through the Chairman and management maintain an ongoing dialogue with the Company's shareholders on strategic issues. The Chairman and the Chief Executive give feedback to the Board on issues raised with them by the shareholders. All directors normally attend the Annual General Meeting and shareholders are invited to ask questions during the meeting and to meet directors after the formal proceedings have ended.

Internal Control

An ongoing process exists for identifying, evaluating and managing the significant risks faced by the Group. This process is periodically reviewed by the directors and has been in place throughout the accounting period and up to the date the financial statements were approved.

CORPORATE GOVERNANCE CONT.

The directors are responsible for the Group's system of internal control and set appropriate policies on internal control, seek regular assurance that enable them to satisfy themselves that the system is functioning effectively and ensure that the system of internal control is effective in managing risks in the manner which it has approved. Such a system is designed to manage rather than eliminate business risks and can provide only reasonable rather than absolute assurance against material misstatement or loss. The key risks are set out at Section 3 of the Report of the Directors.

The directors have continued to review the effectiveness of the Group's system of financial and non-financial controls during 2014, including operational and compliance controls, risk management and the Group's high level internal control arrangements. These reviews have included an assessment of internal controls by management, management assurance of the maintenance of controls, reports from the internal auditors and reports from the external auditor on matters identified in the course of its statutory audit work.

The Group views the careful management of risk as a key management activity. The Board has adopted a Risk Management Policy and a Risk Management Framework and appointed a Chief Risk Officer. The responsibilities of the Audit and Risk Committee embrace the responsibilities of a Risk Committee. Managing business risk to deliver opportunities is a key element of all activities. This is done using a simple and flexible framework which provides a consistent and sustained way of implementing the Group's values. These business risks, which may be strategic, operational, reputational, financial or environmental, should be understood and visible. The business context determines in each situation the level of acceptable risk and controls.

Management is responsible for the identification and evaluation of significant risks and for the design and implementation of appropriate internal controls. These risks are assessed on an ongoing basis and are derived from a variety of external and internal sources. Management reports regularly to the Board on the key risks inherent in the business and on the way in which these risks are managed. Management also reports to the Board on any significant changes in the Group's business and on any risks associated with such changes. The process used to identify and manage key risks is an integral part of the internal control environment.

The key procedures which the directors have established with a view to providing effective internal control are as follows:

- A clear focus on business objectives as determined by the Board after consideration of the statutory responsibilities and risk profile of the Group's businesses.
- A defined organisational structure with clear lines of responsibility, delegation of authority and segregation of duties designed to foster a beneficial control environment.
- A risk management process which considers the strategy and development of the business in the context of the annual budget process when financial plans and performance targets are set and reviewed by the Board in light of the Group's overall objectives.
- A reporting and control system which ensures that individual businesses report to the Board on an ongoing basis on their progress in achieving objectives. The system for reporting covers both operational and financial performance, occurs on a timely basis and ensures that budgetary variances are examined and addressed promptly.
- The preparation and issue of financial reports, including the consolidated annual accounts, is managed by the Group Finance department. The Group's financial reporting process is controlled using documented accounting policies and reporting formats issued by the Group Finance department to all reporting entities (including subsidiaries) within the Group in advance of each reporting period end. The Group Finance department supports all reporting entities with guidance in the preparation of financial information. This process is supported by a network of finance managers throughout the Group, who have responsibility and accountability to provide information in keeping with agreed policies, including the completion of reconciliations of financial information to processing systems. Its quality is underpinned by arrangements for segregation of duties to facilitate independent checks on the integrity of financial data. The financial information for each entity is subject to a review at reporting entity and group level by senior management. The annual accounts are reviewed by the Board Audit and Risk Committee in advance of being presented to the Board for their review and approval. This review includes a meeting with the external auditors with no member of management present.
- An internal audit function which monitors compliance with policies and the effectiveness of internal control within the Group's businesses. The working of the internal audit function is focused on the areas of greatest risk to the Group.
- The Board Audit and Risk Committee, which approves internal and external audit plans and deals with significant control issues raised by internal and external auditors.

Attendance at meetings of the Board, the Remuneration Committee, the Audit and Risk Committee and the Health and Safety and Security Committee

Eight Board meetings were held during the year ended 31 December 2014 and the attendance record of each director is set out in the following table:

Name	Eligible to attend	Attended
Christoph Mueller	8	8
Noel Adamson	8	8
Patrick Compton	8	8
Donal Connell	8	8
Thomas Devlin	8	8
Paul Henry	8	6
Jennifer Loftus	5	4
William Mooney	8	8
Ed Murray	5	4
Tom O'Brien	8	7
Martina O'Connell	8	7
Peter Ormond	8	7
Lorraine Tormey	8	8
William Scally	8	8
James Wrynn	8	8

Four meetings of the Remuneration Committee were held during the year ended 31 December 2014 and the attendance record of each director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
Christoph Mueller	4	4
Donal Connell	4	4
Ed Murray	2	2

CORPORATE GOVERNANCE CONT.

Six meetings of the Audit and Risk Committee were held during the year ended 31 December 2014 and the attendance record of each director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
James Wrynn	6	6
Paul Henry	6	4
Jennifer Loftus	3	3
Tom O'Brien	6	6

In October 2014, the Board approved the establishment of a new Committee on Health and Safety and Security. The Committee met once during the year to review the Terms of Reference for the Committee and the attendance record of each director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
Patrick Compton	1	1
William Scally	1	1
Martina O'Connell	1	–

Directors' Remuneration

The remuneration of the Chief Executive is determined in accordance with the guidelines issued by the Department of Public Expenditure and Reform for determining the remuneration of Chief Executive Officers of Commercial State Bodies and is subject to the approval of the Remuneration Committee of the Board of An Post and the Minister for Communications, Energy and Natural Resources. Fees for all directors are determined by the Minister for Communications, Energy and Natural Resources with the approval of the Minister for Public Expenditure and Reform.

The disclosures made in these financial statements relating to directors' emoluments and pension information are those required under the Code of Practice for the Governance of State Bodies.

Remuneration Committee

The Remuneration Committee is comprised of two non-executive directors and the Chief Executive. Mr Christoph Mueller is Chairman of the Committee. The Chief Executive absents himself from meetings when matters relating to his own remuneration are being considered. When necessary, non-Committee members are invited to attend.

The Committee's principal responsibilities are:

- to determine, on behalf of the Board, the remuneration and other terms and conditions of employment of the Chief Executive, subject to compliance with Government Policy relating thereto;
- to determine, on behalf of the Board, the pay structures and terms and conditions of other senior personnel (as identified by the Chairman of the Board);
- to be informed of significant developments in industrial relations and to review industrial relations policies to ensure the strategy is consistent with the achievement of the business plans of An Post and, on behalf of the Board, to take decisions on such matters;
- to act, on behalf of the Board and take all decisions related to pay and pay related matters, as the Chairman of the Board shall determine;
- to act, on behalf of the Board and take all significant decisions on matters such as remuneration policy, benefits, staff grading, third party recommendations and related issues; and
- to review the continued development and implementation of a human resources strategy and furtherance of a human resources planning process.

Audit and Risk Committee

The Audit and Risk Committee is currently comprised of four non-executive directors. Mr James Wyrnn is Chairman of the Committee. When necessary, non-Committee members are invited to attend. Under its terms of reference, the Committee is to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, by satisfying itself as to the effectiveness of the Company's internal controls and as to the sufficiency of the external and internal audits.

The Committee is responsible for monitoring the effectiveness of the external audit process and making recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditor. It is responsible for ensuring that an appropriate relationship between the Group and the external auditor is maintained, including reviewing non-audit services and fees. As a result of regulatory or similar requirements, it is necessary to employ the Group's external auditor for certain audit related and non-audit services.

In order to maintain the independence of the external auditor, the Audit and Risk Committee has determined policies as to what audit related and non-audit services can be provided by the Group's external auditors and the approval process related to these services. Under these policies, work of a consultancy nature will not be offered to the external auditor unless there are clear efficiencies and value-added benefits to the Group while ensuring that the objectivity and independence of the external auditor is maintained. The Audit and Risk Committee monitors the total level of fees paid to the external auditor.

The Committee reviews annually the Group's systems of internal control and the processes for monitoring and evaluating the risks facing the Group.

The Committee also assists and, where relevant, makes recommendations to the Board on the discharging of its responsibilities in relation to security. The Committee meets with management, as well as privately with the external auditor.

In 2014, the Audit and Risk Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements for 2013 prior to Board approval and meeting and reviewing with the external auditor their reports thereon;
- reviewing the appropriateness of the Group's accounting policies;
- reviewing the potential impact on the Group's financial statements of significant matters arising during the year;
- reviewing the resources of internal audit, approving the internal audit plans, reviewing internal audit reports and dealing with significant recommendations raised by the internal auditor;
- reviewing the audit fee and non-audit fees payable to the Group's external auditor;
- reviewing the external auditors' plan for the audit of the Group's financial statements for 2014, confirmations of auditor independence and the proposed audit fee, and approving the terms of engagement for the audit on behalf of the Board;
- reviewing the Risk Management Policy and the Risk Management Framework;
- reviewing the key risks to the business and considering the adequacy of the Group's system of risk identification and assessment;
- reviewing an annual report on the Group's systems of internal control and its effectiveness, reporting to the Board on the results of the review and receiving regular updates on key risk areas of financial control;
- reviewing security policies and procedures for the protection of staff, postmasters and customers and for safeguarding assets and the implementation of and compliance with those policies and procedures.

CORPORATE GOVERNANCE CONT.

Health and Safety and Security Committee

In October 2014, the Board approved the establishment of a new Committee on Health and Safety and Security. This Committee is comprised of three members and is chaired by Mr Patrick Compton.

The terms of reference for the new Committee were discussed at its first meeting in December and these were formally ratified by the Board at its March 2015 meeting. The Committee's principal responsibilities are:

- to monitor the effectiveness of the Company's Safety Management and Security Systems, satisfy itself as to Company compliance with applicable health and safety and security legislation and regulations and ensure incidents are reduced to as low as reasonably practicable.
- to monitor the development, implementation and continual improvement of strategies, management systems and processes to ensure that adequate health and safety and security regulations and procedures (including emergency response planning) are in place.

Raising Matters of Concern

The Group operates procedures to ensure that appropriate arrangements are in place for employees to be able to raise, in confidence, matters of possible impropriety, with suitable subsequent follow-up action including a review by the Audit and Risk Committee. Reporting channels have been created whereby perceived wrongdoing may be reported via post, telephone and email.

Nomination Committee

As all the authority regarding the appointment of directors is vested in the Minister for Communications, Energy and Natural Resources, with the consent of the Minister for Public Expenditure and Reform, no Nomination Committee was in place for 2014.

Compliance Statement

As noted above, in developing its corporate governance policy, the Board has sought to give effect to the Code of Practice for the Governance of State Bodies, issued by the Department of Finance and to meet the standards of good governance appropriate to the enterprise.

The directors confirm that the Group has been in compliance with the Code of Practice for the Governance of State Bodies throughout the financial year under review.

Going Concern

The Group profit for the year was €24.2m while Group operating profits were €5.9m. The Group balance sheet has net assets excluding pension liabilities of €217.4m with net liabilities including pension liabilities of €223.1m. Having regard to this, the directors have reviewed the Group's business plan and other relevant information and have concluded that the Group will continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

Christoph Mueller, Chairman

Donal Connell, Director

26 March 2015

STATEMENT OF THE DIRECTORS ON COMPLIANCE WITH THE REGULATOR'S DIRECTION ON THE ACCOUNTING SYSTEMS OF AN POST AS REQUIRED BY THE COMMUNICATIONS REGULATION (POSTAL SERVICES) ACT 2011

Under the Communications Regulation (Postal Services) Act 2011 (the Act) the Commission for Communications Regulation, (ComReg), is designated as the national regulatory authority for the postal sector and An Post is designated as a Universal Service provider.

Under the Act, the accounting procedures of An Post are required to be conducted in accordance with directions laid down by ComReg and with certain provisions in the Act. On 8 December 2006, ComReg issued a direction to An Post setting out the regulator's detailed requirements in relation to the accounting systems of An Post (the Direction).

The directors acknowledge their responsibility for compliance with the accounting provisions of the Act and the following statement describes how An Post applied the relevant provisions of the Act and the Direction for the accounting year beginning on 1 January 2014.

Financial Records and Accounting Systems

The financial records and accounting systems maintained by An Post contain sufficient detail to enable management to ensure that they comply with the accounting provisions of the Direction. Separate accounts are maintained for each of the services within the Universal Service.

Separated Accounts

Segmental profit and loss accounts and statements of net assets have been prepared for submission to ComReg for the year ended 31 December 2014. In compliance with the Direction, a competent body has reviewed these accounts and has issued an opinion on their compliance with the Direction.

Management Accounting Manual

A detailed accounting manual has been prepared showing the range and scope of data to be collected for the purpose of complying with the Direction and the basis on which the data is to be allocated/apportioned between services. This was submitted to ComReg in 2014.

The manual reflects the detailed revenue determination and cost allocation and apportionment principles and rules set out in the Direction.

Statement of Compliance

Based on the above steps and actions, the directors believe that An Post has complied with the relevant provisions of the Act and with the Direction of ComReg in relation to the Accounting Systems of An Post for the year ended 31 December 2014.

On behalf of the Board

Christoph Mueller, Chairman

Donal Connell, Director

26 March 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and the accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland.

The Group and Company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2013. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts, 1963 to 2013.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Christoph Mueller, Chairman

Donal Connell, Director

26 March 2015

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF AN POST

AN POST ANNUAL REPORT 2014

We have audited the Group and Company financial statements (“financial statements”) of An Post for the year ended 31 December 2014 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

This report is made solely to the Company’s members, as a body, in accordance with section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors’ Responsibilities Statement set out on page 52 the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council’s Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: Whether the accounting policies are appropriate to the Group and Company circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or are materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Group’s and Company’s affairs as at 31 December 2014 and of the Group’s profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2013.

Matters on which we are required to report by The Companies Acts, 1963 to 2013

We have obtained all the information and explanations which we considered necessary for the purposes of our audit.

The balance sheet of the Company is in agreement with the books of account and, in our opinion proper books of account have been kept by the Company.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF AN POST CONT.

In our opinion the information given in the directors' report is consistent with the financial statements.

The balance sheet of the Company shows an excess of liabilities over assets and in our opinion, on that basis there did exist at 31 December 2014 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 may require the convening of an extraordinary general meeting of the Company.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

- Under the Companies Acts 1963 to 2013 we are required to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.
- Under the Code of Practice for the Governance of State Bodies ("the Code") we are required to report to you if the statement regarding the system of internal financial control required under the Code as included in the Corporate Governance Statement on pages 44 to 50 does not reflect the Group's compliance with paragraph 13.1 (iii) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements and we report if it does not.



Patricia Carroll

For and on behalf of

KPMG

Chartered Accountants, Statutory Audit Firm

1 Stokes Place

St. Stephen's Green

Dublin 2

26 March 2015

REPORT OF THE INDEPENDENT AUDITOR TO AN POST ON COMPLIANCE WITH THE REGULATOR'S DIRECTION ON THE ACCOUNTING SYSTEMS OF AN POST AS REQUIRED BY THE COMMUNICATIONS REGULATION (POSTAL SERVICES) ACT 2011 (THE ACT)

In addition to our audit of the financial statements, we have reviewed the directors' statement on page 51 concerning the Company's compliance, for the year ended 31 December 2014, with the accounting provisions of the Act and with the direction to An Post setting out the Regulator's detailed requirements in relation to the accounting systems of An Post (the Direction), issued on 8 December 2006 by the postal services regulator, ComReg, in relation to the accounting systems of An Post.

Respective Responsibilities of Directors and Auditor

The directors prepare an annual statement of compliance with the accounting provisions of the Act and the Direction for which they are responsible. The objective of our review is to draw attention to non-compliance with the requirements of the accounting provisions of the Act and with the Direction. Our review does not constitute an audit of the separated accounts. A separate audit report will be issued on the audit of the regulatory accounts.

Basis of Opinion

We carried out our review in accordance with the general principles and guidance of the Financial Reporting Council.

Opinion

Based on enquiry of certain directors and officers of the Company and examination of relevant documents, in our opinion, the directors' statement on page 51 appropriately reflects the Company's compliance, for the year ended 31 December 2014, with the accounting provisions of the Act and with the Direction on the Accounting Systems of An Post, dated 8 December 2006 issued by ComReg.



KPMG

Chartered Accountants, Statutory Audit Firm

1 Stokes Place
St Stephen's Green
Dublin 2
26 March 2015

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2014

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of Preparation

The financial statements are prepared on the going concern basis under the historical cost convention and in accordance with applicable law and Irish Generally Accepted Accounting Practice which includes compliance with the financial reporting standards of the Financial Reporting Council as promulgated in Ireland by The Institute of Chartered Accountants in Ireland.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings (except An Post National Lottery Company) made up to the end of the financial year. The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated profit and loss account from the date of acquisition or up to date of disposal. Upon the acquisition of a business, fair values are attributed to the identifiable net assets acquired. Goodwill arising on acquisitions is dealt with as set out below. If the financial year of a subsidiary undertaking does not coincide with that of the parent Company, the Group financial statements consolidate interim financial information prepared by the subsidiary at the end of the parent's financial year.

The sole activity of An Post National Lottery Company was the operation of the National Lottery under licence from the Minister for Public Expenditure and Reform in accordance with the provisions of the National Lottery Act, 1986 and the surplus generated each year is entirely attributable to the National Lottery Fund which is managed and controlled by the Minister. Accordingly, An Post does not participate in the surplus generated by An Post National Lottery Company and neither is it entitled to exercise any rights over the assets of that company. On this basis, in accordance with the provisions of Financial Reporting Standard No. 2 'Accounting for Subsidiary Undertakings' and the European Communities (Companies: Group Accounts) Regulations, 1992, the consolidated financial statements do not incorporate the financial statements of An Post National Lottery Company. Separate financial statements of An Post National Lottery Company are to be published later in 2015. Since the operations of the An Post National Lottery Company have been transferred to Premier Lotteries Ireland Limited the An Post National Lottery Company will be wound down in 2015.

Associated undertakings (associates) are those undertakings in which the Group has a participating interest in the equity capital and over which it exercises significant influence.

Associates are accounted for using the equity method of accounting. The Group's share of profits less losses of associates is included in the consolidated profit and loss account and its interests in their net assets or liabilities, including goodwill, are included as fixed asset investments in the consolidated balance sheet.

Investment in subsidiaries and associates are shown in the Company balance sheet as financial fixed assets and are valued at cost less provisions for impairments in value.

Turnover

Turnover is recognised as services are provided and consists of income from postage, agency services, poundage from remittance services, courier and logistic services, consultancy services, financial services and interest income. Income from agency services is in respect of services performed for Government Departments, the National Treasury Management Agency, An Post National Lottery Company and other bodies. Amounts held in the performance of these agency services are included in amounts held in trust in cash at bank and at hand.

Postage income is recognised in the profit and loss account as sales are made with an adjustment to deferred revenue for stamps sold and unused and balances in postage meter machines unused at the year end. Other income, primarily agency income and service income, is recognised upon provision of the underlying service.

Exceptional Items

The Group has adopted a Profit and Loss format that highlights significant items within the Group's results for the year. Exceptional items are those items of income and expense that the Group considers are material and/or of such a nature that the separate disclosure is relevant to a better understanding of the Group's performance.

Saving Services

The Company operates, on an agency basis and for an agreed remuneration, the Post Office Savings Bank and other savings services for the National Treasury Management Agency, which acts on behalf of the Minister for Finance.

The funds are remitted regularly to the National Treasury Management Agency. The assets and liabilities of such savings services vest in the Minister for Finance and, accordingly, are not included in these financial statements.

Grants

Revenue based grants are credited to the profit and loss account to offset the matching expenditure.

Capital grants received and receivable under EU assisted schemes are recognised when received or when their receipt can be foreseen with virtual certainty.

Capital grants are treated as deferred income and amortised to the profit and loss account on a basis consistent with the depreciation policy of the related tangible fixed assets.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and any charges for impairment.

Freehold and long leasehold land is not depreciated. Depreciation on other tangible fixed assets is charged to the profit and loss account on a straight line basis so as to write off those assets, adjusted for estimated residual value, over the expected useful life of each category. The remaining useful lives of the assets and their residual values are reviewed on a regular basis.

Depreciation is provided on additions with effect from the first day of the month following commissioning and on disposals up to the end of the month of retirement.

The estimated useful lives are as follows:

	Years
Freehold & long leasehold buildings	20–50 or lease term if shorter
Motor vehicles	5
Operating and computer equipment	3–10

Operating Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Goodwill

Goodwill arising on acquisitions, representing the excess of the purchase price over the fair value of the net identifiable assets or liabilities acquired, is capitalised and amortised to the profit and loss account on a straight line basis over its expected useful life of up to twenty years. The carrying value of goodwill is reviewed annually and provision is made for any impairment in value. On disposal of a business, any goodwill is included in determining the profit or loss on sale of the business. Such assets are also reviewed from time to time to assess for indications of impairment.

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2014 CONT.

Financial Fixed Assets

Financial fixed assets are shown at cost less provisions for impairments in value. Income from financial fixed assets, together with any related tax credit, is recognised in the profit and loss account in the year in which it is receivable.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Taxation

Current tax, including Irish corporation tax and foreign tax(es), is provided on the Group's taxable profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued or receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Pensions

The Group provides pensions to its employees under defined benefit superannuation schemes and a defined contribution scheme. It also provides retirement gratuities under normal circumstances to postmasters engaged as agents and to certain non-pensionable employees.

In relation to the defined contribution scheme, contributions are accrued and recognised in operating profit or loss in the period in which they are earned by the relevant employees.

For the defined benefit schemes, the difference between the market value of the schemes' assets and the actuarially assessed present value of the schemes' liabilities, calculated using the projected unit credit method, is disclosed as an asset/liability on the balance sheet, net of a deferred tax liability or asset (to the extent that it is recoverable).

The amount charged to operating profit is the actuarially determined cost of pension benefits promised to employees earned during the year plus any benefit improvements or disimprovements granted to members during the year.

The expected return on the pension schemes' assets during the year and the increase in the schemes' liabilities due to the unwinding of the discount rate during the year are shown as financing costs in the profit and loss account.

Any difference between the expected return on assets and that actually achieved and any changes to the liabilities due to changes in assumptions or because actual experience during the year was different to that assumed, are recognised as actuarial gains and losses in the statement of total recognised gains and losses.

In relation to the unfunded liability for retirement gratuities, the actuarially determined present value of the liability is recorded in full in the balance sheet and it is increased for the cost of additional benefits earned during the year which is charged to operating profit. The unwinding of the discount on the liability is shown as a financing cost in the profit and loss account. Changes to the liability as a result of changes in measurement assumptions or because actual experience is different to that assumed are considered to be an actuarial gain or loss and are included in the statement of total recognised gains and losses.

Foreign Currencies

Transactions denominated in foreign currencies are translated into euro and recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rates of exchange ruling at the balance sheet date or at forward purchase contract rates where such contracts exist. All such exchange differences are dealt with in the profit and loss account.

Results of overseas subsidiaries are translated into euro at the average exchange rate for the period. The assets and liabilities of overseas subsidiaries are translated into euro at rates of exchange ruling at the balance sheet date. Translation differences are reported as a movement on reserves.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 €'000 Total	2013 €'000 Before Exceptional	2013 €'000 Exceptional	2013 €'000 Total
Group turnover – continuing operations	2	820,557	811,693	–	811,693
Operating costs	3/4	(814,670)	(823,156)	17,149	(806,007)
Group operating profit/(loss) – continuing operations		5,887	(11,463)	17,149	5,686
Other finance income net	18	22,180			2,860
Profit on ordinary activities before taxation	5	28,067			8,546
Tax on profit on ordinary activities	6	(1,300)			(676)
Profit on ordinary activities after taxation		26,767			7,870
Minority interest	22	(2,606)			(2,001)
Profit for the financial year	7/20	24,161			5,869

On behalf of the Board

Christoph Mueller, Chairman

Donal Connell, Director

26 March 2015

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2014

AN POST ANNUAL REPORT 2014

	Notes	2014 €'000	2013 €'000
Profit for the financial year		24,161	5,869
Actuarial loss on post employment plans	18	(244,900)	(25,530)
Total recognised losses		(220,739)	(19,661)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014

	Notes	2014 €'000	2013 €'000
Fixed Assets			
Intangible assets – goodwill	9	11,273	12,689
Tangible assets	10	252,884	267,680
Financial assets	11	7,750	-
		271,907	280,369
Current Assets			
Debtors: including amounts due after one year	12	109,120	101,557
Cash at bank and in hand	13	55,571	63,913
		164,691	165,470
Creditors: Amounts falling due within one year	14	(159,417)	(167,676)
Net Current Assets/(Liabilities)		5,274	(2,206)
Total Assets less Current Liabilities		277,181	278,163
Creditors: Amounts falling due after more than one year	16	(21,298)	(6,261)
Provisions for Liabilities	17	(38,510)	(47,650)
Net Assets excluding Pension Liability		217,373	224,252
Pension Liability	18	(440,460)	(229,206)
Net Liabilities including Pension Liability		(223,087)	(4,954)
Capital and Reserves			
Called up share capital	19	68,239	68,239
Capital conversion reserve fund	19	877	877
Profit and loss account	20	(292,665)	(71,926)
Shareholders' Deficit	21	(223,549)	(2,810)
Minority interest	22	462	(2,144)
		(223,087)	(4,954)

On behalf of the Board

Christoph Mueller, Chairman

Donal Connell, Director

26 March 2015

COMPANY BALANCE SHEET AT 31 DECEMBER 2014

AN POST ANNUAL REPORT 2014

	Notes	2014 €'000	2013 €'000
Fixed Assets			
Tangible assets	10	254,330	269,669
Financial assets	11	16,719	8,969
		271,049	278,638
Current Assets			
Debtors: including amounts due after one year	12	58,273	49,430
Cash at bank and in hand	13	40,453	51,515
		98,726	100,945
Creditors: Amounts falling due within one year	14	(110,621)	(148,408)
Net Current Liabilities		(11,895)	(47,463)
Total Assets less Current Liabilities		259,154	231,175
Creditors: Amounts falling due after more than one year	16	(17,698)	(3,258)
Provisions for Liabilities	17	(38,510)	(47,650)
Net Assets excluding Pension Liability		202,946	180,267
Pension Liability	18	(440,460)	(229,206)
Net Liabilities including Pension Liability		(237,514)	(48,939)
Capital and Reserves			
Called up share capital	19	68,239	68,239
Capital conversion reserve fund	19	877	877
Profit and loss account	20	(306,630)	(118,055)
Shareholders' Deficit	21	(237,514)	(48,939)

On behalf of the Board

Christoph Mueller, Chairman

Donal Connell, Director

26 March 2015

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 €'000	2013 €'000
Net cash inflow/(outflow) from operating activities	23	10,792	(17,223)
Taxation	23	(721)	(1,202)
Capital expenditure and financial investment	23	(36,853)	(30,283)
Financing	23	18,400	2,003
Cash outflow before use of liquid resources		(8,382)	(46,705)
Management of liquid resources	23	(9,071)	7,417
Decrease in cash in the year		(17,453)	(39,288)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Notes	2014 €'000	2013 €'000
Decrease in cash in the year	24	(17,453)	(39,288)
Cash flows from change in liquid resources		7,074	(10,420)
Change in net funds resulting from cash flows	24	(10,379)	(49,708)
Net funds at beginning of year	24	59,967	109,675
Net funds at end of year	24	49,588	59,967

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

AN POST ANNUAL REPORT 2014

1. Status of Company

The Company is a limited liability company, incorporated under the Companies Acts, 1963 to 2013. Under the Postal and Telecommunications Services Act, 1983, the Company is entitled to omit the word 'Limited' from its name.

2. Turnover

	2014 €'000	2013 €'000
The analysis of turnover is as follows:		
Republic of Ireland		
Postage: Letters and parcels	510,014	508,899
Postage: Elections and referenda	11,278	1,837
Post offices: Agency, remittance and related services	166,547	169,242
Other services	46,570	43,921
Interest income	3,047	4,919
	737,456	728,818
United Kingdom		
Mails distribution and related services	83,101	82,875
	820,557	811,693

In the opinion of the directors, fuller compliance with the disclosure requirements of SSAP 25 'Segmental Reporting' would be prejudicial to the Group's interests.

3. Operating Costs

	2014 €'000	2013 €'000
The consolidated costs before exceptional items for the Group were as follows:		
Staff costs		
Wages and salaries	404,246	406,500
Postmasters' costs	74,545	75,281
Social welfare costs	35,578	35,412
	514,369	517,193
Pension costs	37,319	42,580
	551,688	559,773
Other costs		
Distribution	96,232	101,090
Facilities	27,532	24,729
Operational	72,856	68,968
Administration	40,817	41,600
Depreciation and amortisation of goodwill	25,545	26,996
	262,982	263,383
	814,670	823,156

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 CONT.

4. Exceptional Item

	2014 €'000	2013 €'000
Negative past service cost (note 18)	–	(71,000)
Restructuring provision (note 17)	–	45,000
Asset valuation review	–	8,851
Credit for exceptional items	–	(17,149)

There were no exceptional items during 2014. An explanation of the 2013 exceptional items is set out below:

Negative past service cost

During 2013 the Group completed the process of increasing the retirement age of members of the Company's defined benefit pension schemes. This resulted in a negative past service cost of €71.0m (see note 18).

Restructuring provision

In 2013 the Group continued the process of restructuring how it conducts its mails business operations, primarily in response to the structural decline in the postal sector. This included reorganising work practices and continued enhanced automation. A related restructuring provision was recognised in 2013, comprising of €40m in respect of voluntary severance and voluntary early retirement programmes and €5m of direct costs associated with the restructuring initiatives (see note 17).

Asset valuation review

At 31 December 2013, based on a review performed by the Directors of the carrying value of certain assets and purchased goodwill on the Group's balance sheet, the Directors considered it appropriate to write off €7.5m of purchased goodwill and €1.4m of tangible fixed assets.

5. Profit on Ordinary Activities before Taxation

	2014 €'000	2013 €'000
The profit on ordinary activities before taxation is stated after charging:		
Directors' emoluments		
Fees	231	214
Other emoluments	240	306
Pension contributions paid	45	71
Expenses paid to Directors		
Travel	10	12
Subsistence	1	3
Auditor's remuneration* – group		
Audit of the group financial statements	298	295
Other assurance services	310	166
Tax advice services	340	257
Other non-audit services	49	98
Auditor's remuneration* – An Post company		
Audit of the financial statements	175	195
Other assurance services	272	125
Tax advice services	293	221
Other non-audit services	49	98
Operating lease rentals:		
Rental of buildings	8,326	8,127
Other equipment and motor vehicles	13,473	14,535
and after crediting:		
Capital grants amortised	102	102
Profit on sale of fixed assets	201	1

*Including non recoverable VAT

The amounts shown above as directors' emoluments include only the amounts paid to the directors in the execution of their duties as directors and the salary of the Chief Executive who is also a director. Other than this, they do not include the salaries of the employee and postmaster directors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 CONT.

5. Profit on Ordinary Activities before Taxation (cont.)

The remuneration package of Mr Donal Connell, Chief Executive Officer, which is included in the amounts shown above as directors' emoluments, was as follows:

	2014 €'000	2013 €'000
Basic salary	240	295
Other emoluments :		
Taxable benefits, including use of a company car	–	11
Director's fee	–	9
Pension contributions paid	45	71
	285	386

The fees paid to each director were as follows :

	2014 €'000	2013 €'000
Christoph Mueller (Chairman)	31	24
John Fitzgerald (former Chairman)	–	5
Noel Adamson	16	16
Patrick Compton	16	16
Donal Connell	–	9
Thomas Devlin	16	16
Paul Henry	16	16
Jennifer Loftus	12	-
Ed Murray	12	-
William Mooney	16	16
Tom O'Brien	16	8
Martina O'Connell	16	16
Peter Ormond	16	16
John Quinlivan	–	7
William Scally	16	16
Lorraine Tormey	16	16
Catherine Woods	–	1
James Wrynn	16	16
Total	231	214

6. Tax on Profit on Ordinary Activities

	2014 €'000	2013 €'000
Ireland – Corporation Tax	561	246
Adjustment in respect of prior year	5	(230)
UK – Corporation Tax	734	660
	1,300	676

The current tax charge is lower than the standard rate of corporation tax in Ireland. A reconciliation to the effective tax rate is set out below:

	2014 €000	2013 €000
Profit on ordinary activities before tax	28,067	8,546
Current tax of 12.5% (2013: 12.5%)	3,508	1,068
<i>Effects of:</i>		
Expenses not deductible	348	1,499
Depreciation in excess of capital allowances	170	327
Income and gains taxed at higher rates	562	918
Tax losses not recognised	639	7,136
Other timing differences	(3,932)	(10,042)
Prior year overprovision	5	(230)
Current tax charge	1,300	676

The 2014 tax charge of €1,300,000 (2013: €676,000) includes a tax credit of €nil (2013: €372,000) in respect of research and development credit claims. Given the uncertainty over the existence of future taxable profits, a potential deferred tax asset of €69,373,000 (2013: €41,916,000) arising from the defined benefit pension scheme liability and tax losses forward has not been recognised.

7. Profit for the Financial Year

	2014 €000	2013 €000
Profit after tax in the holding company before subsidiary dividends	16,072	7,685
Profit after tax in subsidiary undertakings	10,695	185
Minority interest	(2,606)	(2,001)
Profit for the financial year	24,161	5,869

A separate profit and loss account for An Post has not been presented because the conditions laid down in Section 148(8) of the Companies Act, 1963 have been satisfied.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 CONT.

8. Staff Numbers and Costs

The average full time equivalent (FTE) number of persons, excluding postmasters, working in the Group during the year was:

	2014	2013
Operations	8,607	8,714
Corporate	630	630
Total Company employees (FTE)	9,237	9,344
Subsidiaries	787	801
Total Group employees (FTE)	10,024	10,145

The average number of employees working in the Group during the year was:

	2014	2013
Operations	8,281	8,497
Corporate	658	641
Company employees	8,939	9,138
Casual employees	858	916
Total Company employees	9,797	10,054
Subsidiaries	799	813
Total Group employees	10,596	10,867
Postmasters: Engaged as agents	1,086	1,090

The aggregate payroll costs, excluding restructuring costs, were as follows:

	2014 €'000	2013 €'000
Wages and salaries	404,246	406,500
Postmasters' costs	74,545	75,281
Social welfare costs	35,578	35,412
	514,369	517,193
Pension costs*	37,319	(28,420)
	551,688	488,773

*The figure for 2013 includes an amount of €71.0m in respect of negative past service cost.

9. Intangible Fixed Assets – Goodwill

	Total €'000
Group	
Cost	
At 31 December, 2013	41,402
Foreign exchange gain	176
At 31 December, 2014	41,578
Amortisation	
At 31 December, 2013	28,713
Charge for year	1,592
At 31 December, 2014	30,305
Net Book Value	
At 31 December, 2014	11,273
At 31 December, 2013	12,689

The directors have considered the remaining carrying value of goodwill at 31 December, 2014 and have concluded that no impairment arises.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 CONT.

10. Tangible Fixed Assets

	Freehold & long leasehold land & buildings €'000	Motor vehicles €'000	Operating & computer equipment €'000	Total €'000
Group				
Cost				
At 31 December, 2013	283,940	12,171	345,920	642,031
Additions	3,199	118	6,554	9,871
Disposals	(1,931)	(866)	(476)	(3,273)
Foreign exchange movement	–	10	419	429
At 31 December, 2014	285,208	11,433	352,417	649,058
Accumulated Depreciation				
At 31 December, 2013	82,249	11,171	280,931	374,351
Charged during year	6,477	876	16,600	23,953
Eliminated on disposals	(1,127)	(847)	(451)	(2,425)
Foreign exchange movement	–	–	295	295
At 31 December, 2014	87,599	11,200	297,375	396,174
Net Book Value				
At 31 December, 2014	197,609	233	55,042	252,884
At 31 December, 2013	201,691	1,000	64,989	267,680
Company				
Cost				
At 31 December, 2013	286,247	11,971	330,951	629,169
Additions	2,591	–	4,910	7,501
Disposals	(1,931)	(814)	–	(2,745)
At 31 December, 2014	286,907	11,157	335,861	633,925
Accumulated Depreciation				
At 31 December, 2013	77,488	11,106	270,906	359,500
Charged during year	6,650	808	14,571	22,029
Eliminated on disposals	(1,127)	(807)	–	(1,934)
At 31 December, 2014	83,011	11,107	285,477	379,595
Net Book Value				
At 31 December, 2014	203,896	50	50,384	254,330
At 31 December, 2013	208,759	865	60,045	269,669

Group and Company

The depreciable element of freehold & long leasehold land & buildings amounts to: Group €218,054,000 (2013: €215,196,000), Company €224,732,000 (2013: €222,073,000). At 31 December, 2014 the net carrying amount of tangible fixed assets held under finance leases was €18,962,000 (2013: €nil), see note 14, Creditors.

11. Financial Fixed Assets

	Group 2014 €	Group 2013 €	Company 2014 €	Company 2013 €
Shares in subsidiary undertakings, at cost less impairment	102	102	8,968,937	8,968,937
Interest in associated undertakings, at cost	163	163	163	163
Trade investments, unlisted shares at cost	7,750,048	–	7,750,048	–
	7,750,313	265	16,719,148	8,969,100
The movements during the year were as follows				
Shares in subsidiary undertakings (note 25)				
At beginning of year	102	102	8,968,937	8,968,937
Additions/disposals	–	–	–	–
At end of year	102	102	8,968,937	8,968,937
Shares in associated undertakings (note 25)				
At beginning of year	163	163	163	163
Additions/disposals	–	–	–	–
At end of year	163	163	163	163

During the year, the Group share of associated undertakings profit amounted to €nil (2013: €nil)

In 2014, An Post invested €25m in Premier Lotteries Ireland (PLI) by way of equity investment, shareholders' loans and capital contributions and holds 10.7% of the equity shares in this entity. The investment of €25m is in the form of capital contributions €7.75m and shareholder loans of €17.25m (note 12).

An Post holds 10.7% of the equity in the entity, holds two of the five Board positions and has certain contractual rights. The majority shareholder is Ontario Teachers' Pension Plan and it holds 78.6%. This shareholder is an experienced Lottery operator and owns 100% of the United Kingdom National Lottery operation. In PLI, the majority shareholder is the primary influencer of the operating and financial policies.

Having considered the rights of An Post and the nature of the involvement of An Post in PLI, the directors have determined that the appropriate accounting for this investment under Irish GAAP is as a simple investment carried at cost, less any permanent diminutions in value, and not an associated undertaking.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 CONT.

12. Debtors

	Group 2014 €'000	Group 2013 €'000	Company 2014 €'000	Company 2013 €'000
Amounts falling due within one year				
Trade debtors	43,719	59,615	10,757	21,939
Amounts owed by subsidiary undertaking not consolidated (note 28)	1,491	462	1,491	462
Amounts owed by other subsidiary undertakings	–	–	4,889	2,925
Amounts owed by associated undertaking (note 28)	348	274	238	235
Other debtors	1,292	2,195	725	1,043
Prize bonds held	812	813	625	625
Prepayments and accrued income	44,208	38,198	11,735	3,789
	91,870	101,557	30,460	31,018
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	–	–	10,563	18,412
Shareholders loan due from Premier Lotteries Ireland Limited	17,250	–	17,250	–
	17,250	–	27,813	18,412
	109,120	101,557	58,273	49,430

13. Cash at Bank and in Hand

	Group 2014 €'000	Group 2013 €'000	Company 2014 €'000	Company 2013 €'000
Cash at bank	26,863	36,184	11,745	23,786
Cash in hand	203,591	225,994	203,591	225,994
	230,454	262,178	215,336	249,780
Term deposits	173,758	164,687	173,758	164,687
Less: Amounts held in trust	(348,641)	(362,952)	(348,641)	(362,952)
	55,571	63,913	40,453	51,515

14. Creditors Amounts falling due within one year

	Group 2014 €'000	Group 2013 €'000	Company 2014 €'000	Company 2013 €'000
Trade creditors	38,843	40,131	10,706	10,878
Amounts owed to subsidiary undertakings	–	–	6,425	43,301
Other creditors	11,464	17,281	6,374	5,473
Taxation and social welfare (note 15)	12,812	13,650	10,426	11,680
Accruals	75,084	78,970	60,589	61,686
Deferred income – capital grants (note 16)	101	101	101	101
Finance lease	1,858	–	1,858	–
Bank overdraft	983	943	–	–
Term loan	3,000	–	–	–
Deferred income	15,272	16,600	14,142	15,289
	159,417	167,676	110,621	148,408

During the year the Company entered into a Sale and Finance leaseback in respect of certain mails automation equipment at its sorting centres in Dublin, Portlaoise, Cork and Athlone. See note 26, Lease Commitments.

15. Taxation and Social Welfare

	Group 2014 €'000	Group 2013 €'000	Company 2014 €'000	Company 2013 €'000
Corporation tax payable/(receivable)	361	(220)	9	(540)
Income tax deducted under PAYE	5,306	6,518	4,596	5,830
Pay related social insurance	5,541	5,254	5,381	5,102
Value added tax	1,289	1,754	222	961
Professional services withholding tax	315	344	218	327
	12,812	13,650	10,426	11,680

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 CONT.

16. Creditors Amounts falling due after more than one year

	Group 2014 €'000	Group 2013 €'000	Company 2014 €'000	Company 2013 €'000
Deferred income – capital grants	4,756	3,258	3,156	3,258
Finance lease	14,542	–	14,542	–
Term loan	2,000	3,003	–	–
	21,298	6,261	17,698	3,258
The movements on grants were as follows:				
At beginning of year	3,359	3,461	3,359	3,461
Grants received during the year	1,600	–	–	–
Amortised to profit and loss account	(102)	(102)	(102)	(102)
At end of year	4,857	3,359	3,257	3,359
Transferred to creditors: amounts falling due within one year	(101)	(101)	(101)	(101)
	4,756	3,258	3,156	3,258

The term loan is secured by way of a debenture over the assets of the Gift Voucher Shop Companies. It is repayable in 2015 and 2016.

17. Provisions for Liabilities

	2014 €'000	2013 €'000
Group and Company		
Provisions for business restructuring	38,510	47,650
The movements during the year were as follows:		
At beginning of year	47,650	22,352
Provisions made during the year	–	45,000
Utilised during the year	(9,140)	(19,702)
At end of year	38,510	47,650

It is anticipated that the provision for business restructuring will be utilised by 31 December 2017. Of the €38.5m provision, €11.6m is expected to be paid in less than one year, with the remaining €26.9m being paid in greater than one year.

18. Pensions and Similar Obligations

Group and Company

The pension entitlements of employees arise under a number of defined benefit and defined contribution pension schemes, the assets of which are vested in independent trustees appointed by the Company for the sole benefit of employees and their dependents. Annual contributions are based on the advice of a professionally qualified actuary.

The amounts charged during the year to operating costs were as follows:

	2014 €'000	2013 €'000
Defined benefit schemes – current service cost	35,300	40,700
Ex-gratia schemes – current service cost	1,000	1,000
Negative past service cost on changes to normal retirement age	–	(71,000)
Defined contribution scheme	1,019	880
Recognised in the profit and loss account	37,319	(28,420)

Past service costs of €4,504,000 (2013: €10,239,000) arose during the year. These were discharged through the utilisation of the restructuring provision (note 17) and had no impact on the profit and loss account for the year ended 31 December 2014 or 2013. Contributions payable to pension schemes and included in creditors at 31 December 2014 amounted to €3,814,000 (2013: €1,692,000) and were paid in January 2015.

The pension costs of the defined benefit schemes are assessed in accordance with the advice of an independent professionally qualified actuary. The most recent actuarial valuations, which took account of the changes to the normal retirement age, were carried out at 1 January 2013 using the attained age method and at that date were sufficient to cover 92% of the accrued liabilities. The principal actuarial assumption was that, over the long term, the annual rate of return on investments would be 3.0% higher than the annual increase in pensionable remuneration. The actuarial valuation of 1 January 2013 recommended a contribution rate of 14.4% of pensionable remuneration. The actuarial valuations are not available for public inspection but the results of the valuations have been advised to the members of the schemes.

The valuations of the pension schemes used for the purpose of FRS 17 accounting entries and disclosures have been based on the most recent actuarial valuations as identified above and updated by the independent actuary to 31 December 2014. Scheme assets are stated at their market value at the balance sheet date.

The financial assumptions used to calculate the retirement benefit liabilities under FRS 17 were as follows:

	2014	2013	2012
Valuation method	Projected Unit	Projected Unit	Projected Unit
Discount rate	2.20%	3.75%	4.00%
Inflation – CPI	1.75%	2.00%	2.00%
Relevant wage inflation	1.25%	1.50%	1.50%
Increase to pensions in payment	1.25%	1.50%	1.50%
Pensionable salary increases	1.25%	1.50%	1.50%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 CONT.

18. Pensions and Similar Obligations (cont.)

The long term expected rates of return on the assets of the pension scheme were:

	2014	2013	2012
Equities	6.50%	7.50%	7.50%
Bonds	1.80%	3.25%	3.00%
Other	4.60%	6.90%	4.00%

The An Post accounts for 2015 will be prepared under the IFRS standard. Under the IFRS standard the expected return on assets, known as the interest on assets, is based on the discount rate at the valuation date, i.e. 2.2% as shown above.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity.

The assumptions are equivalent to expecting a 65-year old to live to the following ages:

	2014	2014	2013	2013
	Male	Female	Male	Female
Life expectancy at 65				
Current Pensioners – aged 65	86.9	88.2	86.8	88.1
Future Pensioners – aged 40	89.7	90.7	89.6	90.6

The market value of the assets of the defined benefit schemes at 31 December, 2014, 2013 and 2012 were

	2014 €'000	2013 €'000	2012 €'000
Equities	1,252,078	1,147,800	999,300
Bonds	846,308	779,200	824,700
Other	501,014	269,909	193,535
Fair value of pension schemes' assets	2,599,400	2,196,909	2,017,535
Present value of funded defined benefit obligations	(3,019,585)	(2,410,500)	(2,288,100)
Present value of unfunded defined benefit obligations	(20,275)	(15,615)	(14,055)
Present value of defined benefit obligations	(3,039,860)	(2,426,115)	(2,302,155)
Pension liability	(440,460)	(229,206)	(284,620)

18. Pensions and Similar Obligations (cont.)

Movement in fair value of pension schemes' assets

	2014 €'000	2013 €'000
Fair value of pension schemes' assets at beginning of year	2,196,909	2,017,535
Expected return on plan assets	112,400	94,200
Actuarial gain	318,027	112,735
Employer contributions	52,270	59,023
Members contributions	4,273	4,565
Benefits paid	(84,479)	(91,149)
Fair value of pension schemes' assets at end of year	2,599,400	2,196,909

Movement in present value of defined benefit obligations

	2014 €'000	2013 €'000
Defined benefit obligations at beginning of year	(2,426,115)	(2,302,155)
Current service cost	(36,300)	(41,700)
Past service cost	(4,504)	(10,239)
Interest cost	(90,220)	(91,340)
Members contributions	(4,273)	(4,565)
Negative past service cost on change to normal retirement age	–	71,000
Benefits paid	84,479	91,149
Actuarial losses	(562,927)	(138,265)
Defined benefit obligations at end of year	(3,039,860)	(2,426,115)

Other Finance Income

	2014 €'000	2013 €'000
Interest on scheme liabilities	(90,220)	(91,340)
Expected return on schemes' assets	112,400	94,200
	22,180	2,860

The expected return on scheme assets is calculated based on the value of the schemes' assets at the beginning of the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 CONT.

18. Pensions and Similar Obligations (cont.)

Amounts recognised in statement of total recognised gains and losses

The actuarial losses are analysed as follows:

	2014 €'000	2013 €'000
Difference between expected and actual return on assets	318,027	112,735
Changes in assumptions and experience gains and losses on schemes liabilities	(562,927)	(138,265)
Actuarial losses recognised	(244,900)	(25,530)

The actual return on schemes' assets in 2014 was a gain of €430 million (2013: gain of €207 million). The cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses at 31 December 2014 is a loss of €321 million (2013: loss of €76 million).

Employer contributions in 2015 excluding potential past service costs are expected to be €46m.

History of Actuarial gains and losses

	2014 €'000	2013 €'000	2012 €'000	2011 €'000	2010 €'000
Difference between expected and actual return on assets	318,027	112,735	181,300	(185,500)	96,000
Expressed as a percentage of schemes' assets	12%	5%	9%	(11%)	5%
Changes in assumptions and experience gains and losses on schemes liabilities	(562,927)	(138,265)	33,400	63,870	(68,690)
Expressed as a percentage of schemes' liabilities	(19%)	(6%)	1%	3%	(3%)
Total actuarial gains and (losses)	(244,900)	(25,530)	214,700	(121,630)	27,310
Expressed as a percentage of schemes' liabilities	(8%)	(1%)	9%	(5%)	1%

An Post Pension Scheme Contingent Asset

Under the terms of the plan to meet the Minimum Funding Standard requirements a mortgage and charge relating to certain property assets of the Company with a value of €72.5 million was put in place in favour of the An Post Pension Scheme ("the Scheme") for use as a contingent asset of the Scheme. Under the terms of the mortgage and charge, should a disposal of these property assets occur that meets the terms of the mortgage and charge, the Scheme is entitled to the sale proceeds, or for the assets sold to be replaced by other assets of an equal market value. The maximum amount recoverable by the Trustees of the Scheme under the mortgage and charge is €100m.

19. Share Capital

Group and Company

	2014 €'000	2013 €'000
Authorised: 80,000,000 Ordinary Shares of €1.25 each	100,000	100,000
Allotted, called up and fully paid: 54,590,946 Ordinary Shares of €1.25 each	68,239	68,239

On 14 January, 2003, pursuant to Section 26 of the Economic and Monetary Union Act, 1998, the Company's shares were renormalised from €1.269738 to €1.25 per share and an amount of €877,000 was transferred to a capital conversion reserve fund.

20. Reconciliation of Profit and Loss Account

	Group 2014 €'000	Group 2013 €'000	Company 2014 €'000	Company 2013 €'000
At beginning of year	(71,926)	(52,265)	(118,055)	(100,210)
Profit for the financial year before dividends	24,161	5,869	16,072	7,685
Dividends from Group Companies	–	–	40,253	–
Other recognised losses	(244,900)	(25,530)	(244,900)	(25,530)
At end of year	(292,665)	(71,926)	(306,630)	(118,055)

21. Reconciliation of Shareholders (Deficit)/Funds

	Group 2014 €'000	Group 2013 €'000	Company 2014 €'000	Company 2013 €'000
At beginning of year	(2,810)	16,851	(48,939)	(31,094)
Profit for the financial year before dividends	24,161	5,869	16,072	7,685
Dividends from Group Companies	–	–	40,253	–
Other recognised losses	(244,900)	(25,530)	(244,900)	(25,530)
At end of year	(223,549)	(2,810)	(237,514)	(48,939)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 CONT.

22. Minority Interest

	2014 €'000	2013 €'000
Group		
Accumulated losses at start of year	2,144	4,145
Minority interest share of profit	(2,606)	(2,001)
Accumulated (profit)/losses at end of year	(462)	2,144

The minority interest profits arise in the GVS group of companies and An Post GeoDirectory Limited.

23. Gross Cash flows

	2014 €'000	2013 €'000
Reconciliation of operating result to net cash inflow from operating activities		
Operating profit/(loss) before exceptional items	5,887	(11,463)
Depreciation and amortisation	25,545	26,996
Profit on sale of tangible fixed assets	(201)	(1)
Payments in relation to provision for business restructuring	(9,140)	(19,702)
Cash paid in excess of FRS 17 pension charge	(11,466)	(7,083)
Capital grants amortised	(102)	(102)
Decrease in operating debtors	9,687	1,594
Decrease in operating creditors	(9,418)	(7,462)
Net cash inflow/(outflow) from operating activities	10,792	(17,223)
Taxation		
Tax paid	(721)	(1,202)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(14,502)	(31,013)
Disposal of tangible fixed assets	1,049	730
Grant received	1,600	–
Investment in Premier Lotteries Ireland Limited	(25,000)	–
	(36,853)	(30,283)
Financing		
Finance lease	16,400	–
Term loan drawn down	3,000	2,003
Term loan repaid	(1,000)	–
	18,400	2,003
Management of liquid resources (note a)		
Increase/(decrease) in term deposits	9,071	(7,417)

Note a: Liquid resources comprise term deposits with a maturity notice period of more than one day.

24. Analysis of Net Funds

	At beginning of year €'000	Cash flows €'000	At end of year €'000
Cash at bank and in hand (note 13)	262,178	(31,724)	230,454
Bank overdraft (note 14)	(943)	(40)	(983)
Amounts held in trust (note 13)	(362,952)	14,311	(348,641)
	(101,717)	(17,453)	(119,170)
Term loan (notes 14 and 16)	(3,003)	(1,997)	(5,000)
Term deposits (note 13)	164,687	9,071	173,758
Total	59,967	(10,379)	49,588

This analysis excludes the Finance Lease creditor of €16.4m at 31 December, 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 CONT.

25. Subsidiary and Associated Undertakings

Subsidiary undertakings held directly by the Company

Name	Nature of Business	% Holding	Registered Office
An Post National Lottery Company (note 28)	Operator of the National Lottery until November 2014	80%	General Post Office O'Connell Street Dublin 1
Postpoint Services Limited	Mobile top ups	100%	General Post Office O'Connell Street Dublin 1
Printpost Limited	High volume printing	100%	General Post Office O'Connell Street Dublin 1
An Post BillPost Processing Service Limited	Bill payment processing	100%	General Post Office O'Connell Street Dublin 1
An Post GeoDirectory Limited	Database services	51%	General Post Office O'Connell Street Dublin 1
Precision Marketing Information Limited trading as Data Ireland	Provision of marketing data, database services and business directories	100%	General Post Office O'Connell Street Dublin 1
Arcade Property Company Limited	Property development and letting	100%	General Post Office O'Connell Street Dublin 1
Prince's Street Property Company Limited	Dormant	100%	General Post Office O'Connell Street Dublin 1
Post Consult International Limited	Computer software services	100%	General Post Office O'Connell Street Dublin 1
Post.Trust Limited	Digital certification and security service	100%	General Post Office O'Connell Street Dublin 1
Transpost Limited	Courier and distribution	100%	General Post Office O'Connell Street Dublin 1
An Post Direct Management Services Limited	Development of GPO Exhibition Centre	100%	General Post Office O'Connell Street Dublin 1
Kompass Ireland Publishers Limited	Dormant	100%	General Post Office O'Connell Street Dublin 1
An Post (NI) Limited	Holding company	100%	Stokes House, College Square East Belfast

25. Subsidiary and Associated Undertakings (cont.)

Subsidiary undertakings held indirectly through a subsidiary undertaking

Name	Nature of Business	% Holding	Registered Office
Air Business Limited	Distribution and magazine subscription services	100%	4, The Merlin Centre Acrewood Way St. Albans Herts U.K.
GVS Gift Voucher Shop Limited	Retail gift vouchers	53.6%	General Post Office O'Connell Street Dublin 1
The Gift Voucher Shop Limited	Retail gift vouchers	53.6%	4, The Merlin Centre Acrewood Way St. Albans Herts U.K.
One Direct (Ireland) Limited	Insurance Broker	100%	General Post Office O'Connell Street Dublin 1
Jordan & Co International Limited	Distribution	100%	4, The Merlin Centre Acrewood Way St. Albans Herts U.K.

Associated undertakings held directly by the Company

Name	Nature of Business	% Holding	Registered Office
The Prize Bond Company Limited	Administration of the Prize Bond Scheme	50%	General Post Office O'Connell Street Dublin 1

Air Business Limited, Jordan & Co International Limited and The Gift Voucher Shop Limited are incorporated in and operate in England & Wales. An Post (NI) Limited is incorporated in and operates in Northern Ireland.

All other undertakings are incorporated in and operate in the Republic of Ireland. All shareholdings consist of ordinary share capital.

An Post National Lottery Company carried on the business of operating the National Lottery under licence from the Minister for Public Expenditure and Reform until November 2014 in accordance with the provisions of the National Lottery Act, 1986. 20% of the issued share capital was held by the Minister for Public Expenditure and Reform.

The Prize Bond Company Limited carries on the business of administering the Prize Bond Scheme under contract from the National Treasury Management Agency.

The following subsidiaries will avail of the filing exemption available under Section 17 of the Companies (Amendment) Act, 1986, whereby they will annex the financial statements of An Post to their annual returns: Post Consult International Limited; Printpost Limited; Post.Trust Limited; Transpost Limited; Precision Marketing Information Limited; Prince's Street Property Company Limited; An Post Billpost Processing Services Limited; Kompass Ireland Publishers Limited and Postpoint Services Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 CONT.

26. Lease Commitments

Annual commitments under operating leases were as follows:

	2014			2013		
	Land & buildings €'000	Equipment and motor vehicles €'000	Total €'000	Land & buildings €'000	Equipment and motor vehicles €'000	Total €'000
Group						
Expiring within one year	1,462	343	1,805	1,789	3,312	5,101
Expiring after one year and before five years	1,667	12,538	14,205	2,082	9,071	11,153
Expiring after five years	4,604	183	4,787	4,360	77	4,437
	7,733	13,064	20,797	8,231	12,460	20,691
Company						
Expiring within one year	883	167	1,050	1,062	3,197	4,259
Expiring after one year and before five years	1,223	12,324	13,547	1,438	8,763	10,201
Expiring after five years	3,136	–	3,136	3,058	–	3,058
	5,242	12,491	17,733	5,558	11,960	17,518

There were no material finance lease commitments at 31 December 2013.

During 2014, An Post entered into a sale and finance leaseback arrangement for some of its mails automation equipment.

Future payments under finance leases at year end for the Group and Company were as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Less than one year	2,302	–	444	–	1,858	–
Between one and five years	15,359	–	817	–	14,542	–
More than five years	–	–	–	–	–	–
	17,661	–	1,261	–	16,400	–

27. Capital Commitments

Future capital expenditure approved by the directors but not provided for in the financial statements was as follows:

	Group 2014 €'000	Group 2013 €'000	Company 2014 €'000	Company 2013 €'000
Contracted for	11,351	4,721	2,899	4,721
Authorised but not contracted for	6,339	2,214	4,547	2,214
	17,690	6,935	7,446	6,935

28. Related Party Disclosures and Controlling Party

Controlling party

The Group was controlled throughout the year by the Minister for Communications, Energy and Natural Resources who holds the entire issued share capital of An Post except for one ordinary share held by the Minister for Finance (which stands transferred to the Minister for Public Expenditure and Reform under the Ministers and Secretaries Act 2011).

Transactions with related undertakings

An Post National Lottery Company

During the year the Group provided An Post National Lottery Company, an undertaking not consolidated, with management and delivery services. Such services were carried out on an arm's length basis or, where required, in accordance with the terms of the licence granted by the Minister for Public Expenditure and Reform to operate the National Lottery. The Company also provided agency services to An Post National Lottery Company whereby the Company made sales and paid prizes on behalf of An Post National Lottery Company in accordance with the standard terms and conditions and remuneration structure common to all of An Post National Lottery Company's agents. Group turnover for the year includes €4,554,000 (2013: €5,160,000) in respect of services provided to An Post National Lottery Company. These amounts are inclusive of a management fee of €2,175,000 (2013: €2,383,000) payable to the Company in accordance with the terms of the licence to operate the National Lottery.

The costs of staff working in An Post National Lottery Company were recharged from An Post at cost and amounted to €8,168,000 for the year ended 31 December 2014 (2013: €8,321,000). These arrangements came to an end on the transition of the business to Premier Lotteries Ireland in November 2014.

The amount owed by An Post National Lottery Company to the Company was €1,491,000 at 31 December 2014 (2013: €462,000).

An Post agreed to guarantee the performance by An Post National Lottery Company of its obligations under the licence for the holding of the National Lottery granted by the Minister for Public Expenditure and Reform. An Post provided the guarantee, the maximum liability of which amounts to €10 million, for the duration of the licence which has now transferred to Premier Lotteries Ireland.

On 27 February 2014, Premier Lotteries Ireland signed a 20-year licence to operate the National Lottery.

The new operator, in which An Post has a 10.7% shareholding, took over the operation of the National Lottery on 29 November 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 CONT.

28. Related Party Disclosures and Controlling Party (cont.)

The Prize Bond Company Limited

Under the terms of a contract with The Prize Bond Company Limited, the Company carries out certain aspects of the administration of the Prize Bond Scheme. Fees earned by the Company in respect of such services amounted to €3,585,000 for the year ended 31 December, 2014 (2013: €3,532,000). The amount owed by The Prize Bond Company Limited to the Group was €348,000 at 31 December 2014 (2013: €274,000). At 31 December 2014 the Group held €812,000 (2013: €813,000) of Prize Bonds.

Transactions with Government departments and other State bodies

The Group provides, in the ordinary course of business, postage, agency, remittance and courier services to various Government departments and other State bodies on an arm's length basis. The Group also conducts day to day banking services and treasury with banking institutions owned by the State.

29. Contingencies

Group and Company

There were no contingent liabilities or guarantees at 31 December, 2014 or 2013 which could give rise to material losses other than as disclosed elsewhere in the financial statements.

30. Board approval

The financial statements were approved by the Board of Directors on 26 March 2015.

FIVE YEAR FINANCIAL SUMMARY

AN POST ANNUAL REPORT 2014

CONSOLIDATED PROFIT & LOSS ACCOUNT

	2014 €'000	2013 €'000	2012 €'000	2011 €'000	2010 €'000
Turnover	820,557	811,693	807,295	806,714	805,120
Operating costs	(814,670)	(823,156)	(824,779)	(804,498)	(799,282)
Operating profit/(loss)	5,887	(11,463)	(17,484)	2,216	5,838
Share of results of joint venture	–	–	–	–	(6,590)
Exceptional items	–	17,149	–	–	(20,000)
Other finance income/(expense)	22,180	2,860	(19,750)	1,550	(3,950)
Profit/(loss) before taxation	28,067	8,546	(37,234)	3,766	(24,702)

CONSOLIDATED BALANCE SHEET

	2014 €'000	2013 €'000	2012 €'000	2011 €'000	2010 €'000
Fixed assets	271,907	280,369	294,785	291,129	279,323
Net current assets	5,274	(2,206)	29,253	70,727	95,925
Other liabilities	(59,808)	(53,911)	(26,712)	(42,893)	(51,383)
Net assets excluding pension liability	217,373	224,252	297,326	318,963	323,865
Pension liability	(440,460)	(229,206)	(284,620)	(483,594)	(368,498)
Net (liabilities)/assets including pension liability	(223,087)	(4,954)	12,706	(164,631)	(44,633)
Capital and reserves	(223,087)	(4,954)	12,706	(164,631)	(44,633)

RATIOS

	2014	2013	2012	2011	2010
Operating profit/(loss) above as % of turnover	0.72%	(1.40%)	(2.17%)	0.27%	0.73%
Operating profit/(loss) above as % of average shareholders' funds before pension liability	2.67%	(4.40%)	(5.67%)	0.68%	1.68%
Staff and postmasters' costs as % of operating costs before exceptional item	67.72%	68.08%	69.58%	71.65%	72.0%
Current assets as % of current liabilities	103.3%	98.7%	115.1%	136.0%	148.1%

REGULATORY ACCOUNTING INFORMATION

Profit and Loss Account for Universal Service and Mails Business Segment

MAILS

	USO		Non USO		Total Mails	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Volumes ('000)	435,815	498,810	185,464	133,985	621,279	632,795
Turnover	364,682	375,984	173,609	148,632	538,291	524,616
Expenditure	(402,910)	(431,531)	(162,342)	(141,674)	(565,252)	(573,205)
Profit/(Loss)	(38,228)	(55,547)	11,267	6,958	(26,961)	(48,589)

The above financial data is an extract from the 2014 Regulatory Financial Accounts as audited by KPMG. Copies of these accounts are available on the An Post website, www.anpost.ie

USO Performance

An Post is designated in the 2011 Act as the national postal Universal Service provider. This involves the fulfilment of an everyday mail service to every household in the country.

There are significant costs associated with the provision of the USO, many of which are fixed in nature. In 2014 the USO loss recorded in the Regulatory Accounts was €38.2m, which was funded by revenue from other income streams. A funding structure such as this is typical for national postal operators. Arising from structural changes in the postal industry, led mainly by reduced volume and e-substitution, there is debate amongst analysts as to whether this business model is sustainable in the longer term.

USO Volumes and Revenues

Domestic and International Outbound stamped and metered volumes are derived from revenue based on a Sampling Plan. This plan was designed by PricewaterhouseCoopers in accordance with the relevant standard (IS:EN 13850:2012).

Volumes of mail delivered in Ireland, excluding election traffic, continued to decline in 2014. The decline of circa 3.5% experienced by An Post in 2014 is further evidence of the continuing global decline in traditional mail.

USO revenues decreased by circa 3% mainly due to the ongoing decline in volumes and the introduction of new Non USO discounts, offset by price increases.

Price

In July of 2014, prices in the Universal Services area were increased in line with the Price Cap Mechanism as detailed at Section 30 of the Communications Regulation (Postal Services) Act 2011 and ComReg Document 14/59. The increases implemented moved the first price point on the domestic letter service from 60c to 68c, still well below the European average. Prices in the Mails Non USO area were also increased in July 2014.

Costs

Total costs in the Mails business segment reduced by €8m in 2014. The labour cost and non pay savings related to the automation and change programmes are mainly reflected in the USO area.

OPERATIONAL STATISTICS (UNAUDITED)

AN POST ANNUAL REPORT 2014

MAIL

	2014	2013	2012	2011	2010
Core mail volume index (2005=100) (note 1)	73.2	75.7	77.2	81.4	87.5

Note 1: This index reflects changes in core mail revenue and excludes revenue from elections, referenda, foreign administrations in each year as well as the impact of changes to published tariffs.

SYSTEM SIZE

	2014	2013	2012	2011	2010
No. of delivery points (millions)	2.245	2.238	2.236	2.235	2.231
Post Office network:					
Company Post Offices	52	57	57	57	57
Sub-Post Offices	1,088	1,090	1,095	1,099	1,107
Postal agencies	132	141	166	175	185
	1,272	1,288	1,318	1,331	1,349
No. of motor vehicles	2,738	2,743	2,775	2,775	2,778

	€m	€m	€m	€m	€m
Savings Services (note 2)					
Value of Funds at 31 December	19,055	18,163	16,276	14,071	12,692
Activity for year					
<i>Post Office Savings Services</i>					
Savings Bank Deposits	1,054	1,141	1,195	1,122	1,242
Savings Bank Withdrawals	(1,038)	(1,272)	(967)	(973)	(813)
Savings Certificates issued	1,177	1,806	1,053	822	1,354
Savings Certificates repaid	(1,341)	(713)	(558)	(616)	(597)
Instalment Savings issued	97	96	97	96	100
Instalment Savings repaid	(110)	(105)	(116)	(113)	(113)
Savings Bonds issued	1,227	1,739	2,257	1,401	2,137
Savings Bonds repaid	(1,594)	(2,151)	(1,603)	(937)	(706)
National Solidarity Bond issued	869	790	412	294	349
National Solidarity Bond repaid	(57)	(38)	(23)	(31)	(7)
Department of Social Protection					
Welfare benefits paid during the year	8,814	9,169	9,445	9,703	9,975

	2014 000's	2013 000's	2012 000's	2011 000's	2010 000's
BillPay Volumes	24,403	25,800	26,395	26,098	26,562
TV Licence Sales	1,431	1,427	1,412	1,426	1,432

Note 2: The assets and liabilities of the Savings Services vest in the Minister for Finance and accordingly are not included in the financial statements of the Company.

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